ABUJA ELECTRICITY DISTRIBUTION PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

CORPORATE INFORMATION

Registered No:	638681	
	Name	**Designation**
Directors:	Mallam Ibrahim Aliyu	Chairman (Non-Executive)
	Olubunmi O. Peters	Executive Vice Chairman/CEO
	Dr. Ernest Mupwaya (Zambian)	Managing Director/CCE
	Faruk Aliyu	Executive Director
	Engr. Joseph Makoju	Non-Executive Director
	Dr. George Nwangwu	Non-Executive Director
	Alex Okoh	Non-Executive Director
Registered Office:	1 Ziguinchor Street Off IBB Way Wuse Zone 4 Abuja	
Company Secretary:	Dansu Oluwayemisi 1 Ziguinchor Street Off IBB Way Wuse Zone 4 Abuja	
Auditors:	Ernst & Young 10th and 13th Floors, UBA House, 57 Marina, Lagos.	
Bankers:	Ecobank Limited First Bank of Nigeria Limited Guaranty Trust Bank Plc Sterling Bank Plc Union Bank of Nigeria Plc United Bank for Africa Plc	

Report of the Directors
For the year ended 31 December 2020

The directors present their report on the affairs of Abuja Electricity Distribution Plc ("the Company"), together with the financial statements and auditor's report for the year ended 31 December 2020.

Principal activities and business review

The Company was incorporated in Nigeria on 8 November 2005 as a public liability company to take over electricity distribution activities and related businesses of the Power Holding Company of Nigeria ("PHCN") in the Federal Capital Territory (FCT) Abuja, Niger, Kogi and Nasarawa States.

As part of the Federal Government of Nigeria's ("FGN") initiative to transform the power sector, the Nigerian Electricity Regulatory Commission (NERC) was established in October 2005 as required under the Electric Power Sector Reform Act (EPSRA). NERC is Nigeria's independent regulatory agency for the Nigerian electricity industry comprising generation, transmission and distribution sectors and regulates the activities of the Company. In 2008, NERC introduced a Multi-Year Tariff Order (MYTO) as the framework for determining the industry pricing structure and this forms the basis of revenue earned by the Company after taking into consideration changes as applicable per the Transitional Electricity Market (TEM) rules as issued by NERC via Order number 136 dated 29 January 2015 and effective 1 February 2015. The TEM rules were amended on 18 March 2015 and the amended rules became effective 1 April 2015.

On 1 November 2013, the FGN completed the privatization of the electricity sector effectively handing over 6 generation and 11 distribution companies to new owners under various share sale agreements. As a result of this, 60% interest of the Company was acquired by a Nigerian company, KANN Utility Company Limited ("KANN").

On 27 August 2020, the Nigerian Electricity Regulatory Commission issued the Multi Year Tariff Order (MYTO) 2020 for the Company. Based on the Order, the Commission directed the Company to adopt a revised rate design that aligns tariffs with service level experience of customers in different clusters/locations. With effect from 1 September 2020, the Commission approved five (5) tariff 'service bands' representing relative quality of service experience as measured by the committed minimum average hours of supply per day over a period of one month, interruptions, service voltage levels and a number of other service parameters. However, on 28 September 2020, the Commission issued an Order on Suspension of the Multi Year Tariff Order (MYTO) 2020 for the Electricity Distribution Licensees. The Commission ordered a suspension for a period of 14 (fourteen) days, with effect from 28 September 2020 to 11 October 2020, the Multi Year Tariff Order (MYTO) 2020 that was previously issued to the distribution companies. The implementation of the service reflective tariffs continued after this suspension.

Operating results

The following is a summary of the Company's operating results:

Summary of statement of profit or loss	**2020**	**2019**
	₦'000	**₦'000**
Revenue	133,445,789	255,987,711
Gross profit	19,105,522	151,937,949
Operating (loss)/profit	(6,961,594)	107,605,424
(Loss)/profit before minimum and income tax	**(16,170,303)**	**125,790,733**
Minimum tax	(334,886)	(1,246,219)
Income tax	-	(251,979)
(Loss)/profit for the year	**(16,505,189)**	**124,292,535**

Report of the Directors - Continued
For the year ended 31 December 2020

Summary of financial position	₦'000	₦'000
Total assets	176,699,692	166,191,380
Total liabilities	196,816,363	170,761,977
Equity	(20,116,671)	(4,570,597)

The decreased revenue for the year is majorly as a result of cumulative tariff shortfalls (2015-2019) awarded to the Company by the Nigerian Electricity Regulatory Commission (NERC) in 2019 of N164.91 billion as against shortfall of N51.5 billion recognised for the current year. See Note 6(a)(i) to these financial statements.

Dividend

No dividend has been recommended by the directors during the year (2019: Nil).

The directors have continued with certain initiatives aimed at improving the financial position and operations of the Company. These include:

- Access to the Central Bank of Nigeria (CBN) Nigerian Electricity Market Stabilisation Fund (NEMSF) amounting to ₦27 billion. The Company first accessed the CBN fund in 2018 when it drew down N23.72 billion which was used to settle a portion of the market debt and a further drawdown of N1.08 billion in 2019 from the fund was utilised in settling legacy gas debts. No amount was drawn down from this loan in the current year.

- Subsidies for tariff shortfalls: In prior year, NERC awarded the Company an accumulated tariff shortfall for 2015 to 2018 of ₦102.22 billion, tariff shortfall for 2019 of ₦62.69 billion and a projected tariff shortfall for 2020 of ₦57.27 billion. The Company recognised an amount of ₦51.5 billion as the tariff shortfall for the current year based on the approved parameters by NERC. The shortfalls have been settled via a net off of NBET payables.

On 11 March 2020, the World Health Organization declared the coronavirus (COVID – 19) outbreak a pandemic and most governments have taken restrictive measures to contain its further spread by introducing lockdowns, closures of borders and travel restrictions which has affected the free movement of people and goods. The Nigerian Centre for Disease Control (NCDC) has confirmed COVID -19 cases in Nigeria and this resulted in lock down in certain states. The pandemic caused a significant reduction in social interactions, disruption in economic activities while some public facilities were shut down in a bid to reduce the spread of the virus. However, as part of the country's essential commercial service providers, electricity distribution companies were exempted from the lockdown and the Company continued to operate with all mitigation measures in place during the lock down period. The Company invoked a COVID-19 emergency response action plan and policies, and procedures were implemented to ensure the health and safety of its personnel, mitigate infection risks and ensure distribution operational continuity. The outbreak caused a protracted fall in demand for energy and a slowdown in collections during the initial period.

Heightened dialogue was held with all stakeholders; NERC, NBET, MO, CBN, Banks, Lenders and relevant Ministries to closely evaluate the evolution of the situation. Government also voiced commitment to support the energy sector during the crisis as an essential service.

In addition, to respond to a severe downside scenario, management was able to take the following mitigating actions to reduce costs, optimise the Company's collections and preserve liquidity:

- reducing non-essential capital expenditure and deferring or cancelling discretionary spend;
- freezing non-essential recruitment; and
- reducing marketing spend.

Report of the Directors - Continued
For the year ended 31 December 2020

Directors and their interests

The Directors who served during the year were as follows:

Name	Nationality	Designation	Date (Resigned)/Appointed
Shehu Malami		Chairman	(5 November 2020)
Siyanga Malumo	Zambian	Vice Chairman	(19 October 2020)
Emmanuel Katepa	Zambian		(5 November 2020)
Ahmad Saci Maiyaki			(5 November 2020)
Olusegun Doherty			(5 November 2020)
Muhammad Dikko Abdullahi*		Alternate Director	(14 February 2020)
Mallam Ibrahim Aliyu		Chairman	5 November 2020
Olubunmi O. Peters		Executive Vice- Chairman/CEO	5 November 2020
Ernest Mupwaya	Zambian	Managing Director/CCE	
Faruk Aliyu			5 November 2020
Joseph Makoju		Independent Director	5 November 2020
George Nwangwu			5 November 2020
Alex Okoh			
Amaechi Aloke*		Alternate Director	14 February 2020

* Muhammad Dikko Abdullahi and Amaechi Aloke was/is (respectively) the alternate director to Alex Okoh-DG, BPE. Presently, Mr. Amaechi Aloke represents Mr. Alex Okoh at all the Company's Board meetings in the absence of the latter.

Directors interest in shares

The directors indicate that they do not have any interests required to be disclosed under Section 301 of the Companies and Allied Matters Act 2020.

Directors interest in contracts

In accordance with Section 303 of the Companies and Allied Matters Act of Nigeria (CAMA) 2020, none of the directors has notified the Company of any declarable interests in contracts with the Company.

Shareholding structure

The shareholding structure of the Company is as follows:

	15 million shares at ₦ 1 each			
	31 December 2020		31 December 2019	
	%	Number	%	Number
KANN Utility Company Limited	60	9,000,000	60	9,000,000
Bureau of Public Enterprises	32	4,800,000	32	4,800,000
Ministry of Finance Incorporated	8	1,200,000	8	1,200,000
Total	**100**	**15,000,000**	**100**	**15,000,000**

Report of the Directors - Continued
For the year ended 31 December 2020

₦7.5 million of the Company's issued share capital remained unpaid at year end and has been included as unpaid share capital in trade and other receivables. See Notes 16 and 19.

Corporate governance

Consistent with applicable NERC rules, the Board continues to re-emphasize the maintenance of high standards of corporate governance, central to achieving the Company's objective of maximizing shareholder value. As a result, the Board has a schedule of matters reserved specifically for its decision and the Directors have been empowered by the provision of access to learning appropriate professional skills and knowledge development.

The NERC rules require that the Company has at least five directors of which at least one must be an independent director. The Company currently has seven (7) directors and out of which one (1) of them is an independent director.

The Executive Vice- Chairman/CEO and the Managing Director have extensive knowledge of the power sector and are supported by a strong leadership team (see section on leadership team) while the non-executive directors bring to the table their broad knowledge of business, financial, commercial and technical experience.

The Board met 7 times (2019: 6 times) for meetings to set and monitor strategy as well as approve key policies pertinent to the operations of the Company.

The attendance of Directors at Board meetings during the year was as follows:

DIRECTORS	DESIGNATION	12 Feb	30 April	23 July	12 Aug	22 Oct	5 Nov	25 Nov
Mallam Ibrahim Aliyu	Chairman (Non-Executive)	N/A	N/A	N/A	N/A	N/A	X	X
Olubunmi O. Peters	Executive Vice Chairman/CEO	N/A	N/A	N/A	N/A	N/A	X	X
Ernest Mupwaya	Managing Director/Chief Coordinating Executive	X	X	X	X	X	X	X
Faruk Aliyu	Executive	N/A	N/A	N/A	N/A	N/A	X	X
Joseph Makoju	Non-Executive	N/A	N/A	N/A	N/A	N/A	X	X
George Nwangwu	Non-Executive	N/A	N/A	N/A	N/A	X	X	X
Alex Okoh	Non-Executive	X*	X*	X*	X*	X*	X	X
Amb. Shehu Malami	Chairman (Non-Executive)	X	X	X	X	X	O	R
Siyanga Malumo	Non-executive Director	X	X	X	X	R	R	R
Emmanuel Katepa	Non-executive Director	X	X	X	X	X	X	R
Olusegun Doherty	Non-executive Director	X	X	X	X	X	O	R
Ahmad Maiyaki	Non-executive Director	X	X	X	X	X	O	R

Report of the Directors - Continued
For the year ended 31 December 2020

X = Attended O = Absent N/A = Not yet appointed

X* = Attended by an Alternate R = Already resigned

Committees and sub-committees of the board

The Board has established Committees consistent with NERC rules, each with written terms of reference approved by the Board. Currently, there are five (5) committees and one (1) sub-committee that have been approved.

The committees are established to assist the Board to effectively and efficiently perform guidance and oversight functions, amongst others.

The following committees were in place during the year:

1. The Audit Committee

The composition of the Audit Committee is as follows:

Members	Designation
Alex Okoh	Chairman
Siyanga Malumo	Member
Olusegun Doherty	Member
Olajumoke Delano	Secretary

The Audit Committee's overall purpose is to enhance confidence in the integrity of the Company's processes and procedures relating to internal control and corporate reporting. On the invitation of the Chairman of the Audit Committee, representatives of Management and the external auditors attend meetings. The Audit Committee is responsible for the review of financial reporting, appointment and provision of oversight for the work of the external auditor. The Audit Committee makes recommendations to the Board concerning internal financial controls, effectiveness of its internal audit functions vis-a-vis compliance with internal processes and procedures.

The Committee also reviews the arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in financial and non-financial matters. It also ensures statutory compliance with the provisions of Companies and Allied Matters Act, 2020. The Audit Committee had 4 meetings (2019: 5 meetings) during the year under review.

2. Finance committee

The composition of the Finance Committee is as follows:

Members	Designation
Emmanuel Katepa	Chairman
Alex Okoh	Member
Olusegun Doherty	Member
Ernest Mupwaya	Member
Olajumoke Delano	Secretary

The functions of the Finance Committee include optimizing, overseeing and advising on all matters relating to the capital structure, capital management and planning, approving the annual budget and authorizing categories of expenditure and payments within its mandate. The Committee also supports and advises the

Report of the Directors - Continued
For the year ended 31 December 2020

Board in exercising its authority in relation to the finance related function. In addition, the Committee makes recommendations to the Board concerning the revenue requirement of the Company as well as reviews of the Company's investment plans and financial performance. The Finance Committee had 4 meetings (2019: 4 meetings) during the year under review.

3. Executive committee

The members of the Executive committee are as follows:

Members	Designation
Mr. Siyanga Malumo	Chairman
Alex Okoh	Member
Ahmad Maiyaki	Member
Ernest Mupwaya	Member
Olajumoke Delano	Secretary

The responsibilities of the Executive Committee include supervising executive and operational management in-between Board meetings, implementing policy recommendations of the Board, agreeing the terms of and release of Company announcements, approving the agenda for Board meetings and fixing the time and place for such meetings, acting on behalf of the Board during times of exigency, approving annual meeting programs for the Board and its Committees, acting as a communication link between Board and Management and to oversee developmental plans and strategies. The Executive Committee had 6 meetings (2019: 5 meetings) during the year under review.

4. Risk management and health safety & environment

The composition of the Health Safety & Environment Committee is as follows:

Members	Designation
Alex Okoh	Chairman
Siyanga Malumo	Member
Ernest Mupwaya	Member
Olajumoke Delano	Secretary

The risk management and health safety & environment Committee is responsible for updating the Company on current issues in health and safety in the electricity sector as well as ensuring that the Company maintains strict compliance with regulatory and other relevant Health and Safety Codes. The RM/HSE Committee also ensures that the identification and management of all relevant risks are incorporated into the overall business strategy of the Company. The Risk Management, Health Safety and Environment Committee held 4 meetings (2019: 4 meetings) during the year.

5. Governance, remuneration, and nominations committee

The composition of the Governance, remuneration & nominations Committee is as follows:

Members	Designation
Alhaji Ahmed S. Maiyaki	Chairman
Alex Okoh	Member
Emmanuel Katepa	Member
Ernest Mupwaya	Member
Olajumoke Delano	Secretary

Report of the Directors - Continued
For the year ended 31 December 2020

The responsibilities of the Governance, Remuneration and Employee Development Committee include reviewing the contract terms, remuneration and other benefits of the Executive Directors and Senior Management of the Company, Board nomination and training, making recommendations to the Board on the Company's framework of employee remuneration and its cost, operating the Company's long-term incentive plans and reviewing the Company's performance management system.

The leadership team and the General Manager, Human Resources may be invited to attend meetings of the Committee, but do not take part in any decision making directly affecting their own remuneration. The Committee undertakes an external and independent review of remuneration levels on a periodic basis and ensure that employment policies are strictly adhered to. The Governance, Remuneration, and Nominations Committee had 4 meetings (2019: 6 meetings) during the year.

Restructured Board Committees and Membership

On 25 November 2020, the existing Board committees were restructured. The new Board committees and their membership is shown below:

Committees	Membership
1. Audit and Risk committee	Alex Okoh (Chairman) Dr. George Nwangwu Engr. Joseph Makoju Mr. Faruk Aliyu
2. Governance, Remuneration and Nomination Committee	Dr. George Nwangwu (Chairman) Dr. Olubunmi Peters Engr. Joseph Makoju Mr. Faruk Aliyu
3. Finance and General-Purpose Committee	Dr. George Nwangwu (Chairman) Dr. Olubunmi Peters Dr. Ernest Mupwaya Engr. Joseph Makoju
4. Technical and Commercial Committee	Engr. Joseph Makoju (Chairman) Dr. Olubunmi Peters Mr. Alex Okoh Dr. Ernest Mupwaya Mr. Faruk Aliyu

Leadership team

The Board has delegated the day-to-day running of the Company to the leadership team of the Company headed by the Managing Director. During the year, there were changes to the leadership team. The leadership team comprises:

Names

- Ernest Mupwaya – Managing Director/CCE
- Abimbola Odubiyi* – Director, Corporate Services
- Olajumoke Delano- Company Secretary/Director Legal Services
- Clara Musama- Coordinator, Change Management
- Samuel Kyakilika – Chief Information Officer
- Saidu Abdullahi- Chief Operating Officer
- Ije Ikoku Okeke – Chief Financial Officer

Report of the Directors - Continued
For the year ended 31 December 2020

- Collins Chabuka – Chief Risk Officer
- George Nguni – Technical & Strategic Adviser-MD/CCE/Chief Project Officer
- Gabriel Ojo – Ag. Chief Internal Auditor

Appointments in November 2020

- Olubunmi Peters – Executive Vice Chairman/CEO
- Mr. Faruk Aliyu – Executive Director, Corporate Services
- Oluyemisi Dansu- Company Secretary

*Resigned on 31 October 2020.

Material agreements

The Company has entered into the following material agreements:

1. Loan agreements with NELMCO and TCN

   In a bid to raise required cash to collateralize a letter of credit in favour of NBET, the Company entered into loan agreements with the Nigeria Electricity Liability Management Company (NELMCO) and the Transmission Company of Nigeria (TCN) for funds amounting to ₦6.50 billion and ₦1.21 billion from TCN and NELMCO respectively to establish the letter of credit required for participation in the Transitional Electricity Market (TEM). Under TEM, all the Company's trading arrangements will be consummated through the Power Purchase Agreements, and Vesting Contracts.

2. Nigerian Electricity Stabilization Facility Disbursement agreement with CBN and NERC

   As part of the initiatives to solve the liquidity problem in the Nigerian Electricity Supply Industry (NESI), the Federal Government established the Nigerian Electricity Market Stabilization Facility (NEMSF) aimed at settling the outstanding payment obligations due to the Market Participants and the legacy gas debts due to NELMCO. The Company entered into an agreement with the Central Bank of Nigeria (CBN) and the Nigerian Electricity Regulatory Commission (NERC), as at 31 December 2020, a total of ₦24.80 billion had been draw down on this facility (2019: ₦24.80 billion). See Note 23(b).

3. Super vendor agreement

   As part of the measures to make vending platforms more readily available to prepaid customers, the Company entered into separate agreements with Kallak Power Limited (Kallak), United Bank for Africa Plc and Pagatech. Under the agreements, the super vendors are to provide electronic platforms and web-based applications to enable customers vend electricity online paying with credit or debit cards. These super vendors earn a commission of between 0.5% and 4.25% of sales depending on the mode of transaction.
   Management intends to continue to enter into this type of arrangements with quality partners to improve its collection rates.

4. Operations and management (O&M) agreement with related parties

   The Company has Operations and Management (O & M) agreement with the parent company, KANN Utility Company Limited for the provision of management services which include corporate services (strategy sitting and change management), risk and compliance services, network planning and operations and capacity building. See Note 29((e)) to the financial statements.

Report of the Directors - Continued
For the year ended 31 December 2020

5. Deed of assignment of pre-completion receivables and liabilities

As part of the privatization completion, the Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 31 October 2013. NELMCO is a government owned entity established to take over and manage the stranded assets and liabilities in the Power sector.

5a. Pre-completion receivables

Per the Deed of Assignment of Pre-completion Receivables, all the trade receivables of the Company as at 31 October 2013 were transferred to NELMCO without recourse. Further interpretation accorded to the definition of pre- completion receivables by NERC expanded this to include cash and cash equivalents held as at 31 October 2013.

5b. Pre-completion liabilities

Per the Deed of Assignment of Pre-completion liabilities, all liabilities and contingent liabilities of the Company as at 31 October 2013 were transferred to NELMCO subject to certain terms and conditions which management believes do not limit the transfers.

On the basis of this agreement, management derecognised qualifying assets and liabilities as at 31 October 2013 from the 2013 financial statements.

Geographical presence

To enable the Company operate in the Federal Capital territory (FCT), Kogi, Nasarawa and Niger States where it distributes electricity, it has thirty-nine (39) area offices excluding the head office. The 39 area offices are distributed among nine regions across the four states from which the Company operates. The regional offices are headed by Regional Managers and the area offices are headed by Area Managers who report to the Regional Managers. The regional managers subsequently report to the leadership team based at the head office. Financial reporting is done centrally.

Property, plant and equipment (PPE)

Information relating to changes in property, plant and equipment is given in Note 13 to these financial statements.

Charitable contributions

During the year, the Company made charitable contributions to various organizations and persons amounting to ₦16.3 million (2019: ₦0.30 million).

In accordance with Section 43 of the Companies and Allied Matters Act, 2020, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year (2019: Nil).

Events after the reporting date

As stated in Note 33, no significant events have occurred after the reporting date which will have a material effect on the financial statements or the omission of which will make the financial statements misleading as to the financial positions or results of operations.

Report of the Directors - Continued
For the year ended 31 December 2020

Employment and employees

a. Employment consultation and training:

The Company places considerable value on the involvement of its employees in major policy matters and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through regular meetings with employees and consultations with their representatives. Training is conducted for the Company's employees as the need arises.

Management, professional and technical expertise are the Company's major assets. The Company continues to invest in developing such skills. The Company has in-house training facilities, complemented, when and where necessary, with external training for its employees.

b. Dissemination of information:

In order to maintain shared perception of our goals, the Company is committed to communicating information to employees in a fast and effective manner, as possible. This is considered critical to the maintenance of team spirit and high employee morale.

c. Employment of physically challenged persons:

The Company has four (4) physically challenged persons in its employment (2019: four (4)). Applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of physically challenged persons should, as far as possible, be identical with that of other employees.

d. Employee health, safety and welfare

The Company places high premium on the health, safety and welfare of its employees in their places of work. To this end, the Company has various forms of insurance policies, including group personal accident and group life insurance, to adequately secure and protect its employees. It is the Company's goal to ensure that its incident-free safety record in operations is amongst the best, both locally and globally, upon which it has set its Safety Policy.

Auditors

Messrs. Ernst & Young were appointed as external auditors on 21 January 2021 and have expressed their willingness to continue in office as the Company's independent auditors in accordance with S.401(2) of the Companies and Allied Matters Act 2020.

Abuja, Nigeria

31st May 2021

BY ORDER OF THE BOARD

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Dansu Oluwayemisi
Company Secretary
FRC/2020/002/00000022336

Statement of directors' responsibilities in relation to the financial statements
For the year ended 31 December 2020

The Companies and Allied Matters Act, (CAMA) 2020, requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, (CAMA) 2020, and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates and are consistently applied.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, (CAMA) 2020 and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss for the year ended 31 December 2020. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead. See Note 34 to these financial statements for more details.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Signature

Olubunmi O. Peters
Executive Vice Chairman/CEO
FRC/2014/COREN/00000007421

31st May 2021
Date

Signature

Ernest Mupwaya
Managing Director/CCE
FRC/2016/COREN/00000015743

31st May 2021
Date

Report of the audit and risk committee

To the members of Abuja Electricity Distribution Plc

In accordance with the terms of reference as contained in the Company's Audit Committee Charter and the provisions of Companies and Allied Matters Act, 2020, we the members of the Audit Committee of Abuja Electricity Distribution Plc, having carried out our functions hereby report that:

(a) The accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;

(b) The scope and planning of the audit for the year ended 31 December 2020 are satisfactory;

(c) Having reviewed the independent auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

Member of the Audit Committee are:

1. Alex Okoh Chairman
2. Dr. George Nwangwu
3. Engr. Joseph Makoju
4. Mr. Faruk Aliyu

Signature
Alex Okoh
Chairman
FRC/2019/IODN/00000019210

31st May 2021
Date

Signature
Dansu Oluwayemisi
Company secretary
FRC/2020/002/00000022336

31st May 2021
Date

Building a better working world

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INDEPENDENTAUDITOR'S REPORT

TO THE MEMBERS OF ABUJA ELECTRICITY DISTRIBUTION PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Abuja Electricity Distribution Plc set out on pages 20 to 73 which comprise the Statement of financial position as at 31 December 2020, Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Abuja Electricity Distribution Plc as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the financial Reporting Council of Nigeria Act, No 6, 2011.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 34 of the financial statements which indicates that the Company reported a loss after tax of ₦16.51 billion for year ended 31 December 2020. As at such date, the Company had net current liabilities of ₦116.53 billion (2019: ₦94.72 billion) and net liabilities of ₦20.12 billion (2019: ₦4.57 billion).

These conditions along with other matters discussed in Note 34 indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore may be unable to realise its assets and settle its liabilities in the ordinary course of business. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current year. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matters are provided in that context.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABUJA ELECTRICITY DISTRIBUTION PLC - Continued

Key Audit Matter	How the matter was addressed in the Audit
Revenue recognition	Our audit procedures in response to this key audit matter included, among others:
Revenue from contracts with customers is primarily made up of the sales value of energy supplied to both post-paid and prepaid customers. Significant judgements and estimates are involved in revenue determination as it relates to unbilled revenue for energy sales to postpaid customers between the date of their last billing and 31 December 2020; estimated billing to unmetered customers based on an estimated billing methodology and amount of revenue to be deferred at year end from energy sales to prepaid customers. Due to the level of judgement and estimates involved in the revenue recognition process and the need to comply with the multiple tariff guidelines, we have considered this a key audit matter. The Company's accounting policy on revenue recognition and related notes are disclosed in Notes 4 and 6 to the financial statements.	• We obtained an understanding of the Company's customer billing and meter reading processes and assessed the design and implementation of the relevant controls impacting revenue estimation and customer billing systems; • For unbilled revenue from energy sales to post-paid customers, we reviewed the reasonableness of the assumptions underlying the estimate made and compared the estimate to actual billing in the subsequent month; • We evaluated the assumptions made in the Company's billing methodology in determining amounts to be billed to unmetered customers, considering the guidelines from the regulator; • Regarding amount to be deferred from prepaid energy sales, we reviewed the significant assumptions and methodology used in the computation and performed a re-computation of the amounts, comparing these to amounts determined by the Company; • We considered the Company's compliance with the tariff guidelines issued by the Nigerian Electricity Regulatory Commission (NERC) in its billing and revenue recognition methodology. • We reviewed the adequacy of disclosures made in the financial statements.
Impairment losses on trade receivable	Our Audit Procedures include:
The Company had in its books as at 31 December 2020 gross trade receivables amounting to ₦117.17 billion with allowance for expected credit loss of ₦78.96 billion. The allowance for expected credit loss represents 67.4% of the gross trade receivable balance. The Company's customers are classified based on their payment pattern as pre-paid or post-paid customers. Recovery of amounts billed to post-paid customers remains a huge challenge partly due to estimated billings and customer apathy to bill payment which has resulted in the high impairment numbers. We considered this a key audit matter due to the materiality of the amounts involved and the high level of judgment required in determining the loss rate; a key input in the estimation of expected credit loss. Refer to Note 16 (Trade and Other receivables) and Note 31.2.1 (Credit risk) to these financial statements.	• We obtained an understanding of the Company's process for estimating the expected credit loss (ECL) on trade receivables in line with the provisions of IFRS 9; • We determined the appropriateness of the categorization of the trade receivables portfolio based on shared credit risk characteristics; • We assessed the appropriateness of the historical loss rates used per grouping and considered for reasonableness the forward-looking information; • assessing these assumptions using both internal and publicly available information; • we recalculated the expected credit losses by multiplying the gross trade receivables per grouping by the weighted average loss rate and compared with management's estimate; • We reviewed the disclosures made in the financial statements based on the requirements of IFRS 9.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABUJA ELECTRICITY DISTRIBUTION PLC - Continued

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 76 page document titled "Abuja Electricity Distribution Plc Annual Report for the year ended 31 December 2020", which includes the Directors' Report and Other National Disclosures (Value Added Statement and Five-year Financial Summary) as required by the Companies and Allied Matters Act, 2020. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The financial statements of Abuja Electricity Distribution Plc for the year ended 31 December 2019 were signed by another auditor who issued an unmodified opinion on the financial statements on 27 August 2020.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, the relevant provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABUJA ELECTRICITY DISTRIBUTION PLC - Continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Adewuyi Adeyemo, FCA

FRC/2012/ICAN/00000000148
For: Ernst & Young
Lagos, Nigeria

3 June 2021

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
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Statement of profit or loss and other comprehensive income
For the year ended 31 December

	Note	2020 ₦'000	2019 ₦'000
Revenue	6	133,445,789	255,987,711
Cost of sales	7	(114,340,267)	(104,049,762)
Gross profit		19,105,522	151,937,949
Other income	8	2,088,653	2,630,985
Impairment loss	16b	(5,393,588)	(21,937,679)
Administrative expenses	7	(22,762,181)	(25,025,831)
Operating (loss)/ profit		**(6,961,594)**	**107,605,424**
Finance income	9	256,734	24,226,682
Finance costs	9	(9,465,443)	(6,041,373)
Net finance (cost)/income		(9,208,709)	18,185,309
(Loss)/profit before minimum tax and income tax expense		**(16,170,303)**	**125,790,733**
Minimum tax	12a	(334,886)	(1,246,219)
Income tax expense	12b	-	(251,979)
(Loss)/profit for the year		**(16,505,189)**	**124,292,535**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement loss on defined benefit obligations	27b	(128,554)	(98,534)
Revaluation surplus on land and building	13d	1,087,669	-
Deferred tax	12e	-	-
Other comprehensive income/(loss), net of tax		959,115	(98,534)
Total comprehensive (loss)/income		**(15,546,074)**	**124,194,001**

Notes 1- 34 on pages 24 to 73 are an integral part of these financial statements

Statement of Financial Position
As at 31 December

ASSETS	Notes	2020	2019
Non-current assets		**₦'000**	**₦'000**
Property, plant and equipment	13	116,297,984	113,589,891
Right-of-use assets	25	726,601	820,401
Intangible assets	14	848,888	920,334
		117,873,473	**115,330,626**
Current assets			
Inventories	15	183,544	256,568
Trade and other receivables	16	39,296,512	39,612,316
Prepayments	17	47,274	433,695
Cash and cash equivalents	18	19,298,889	10,558,175
		58,826,219	**50,860,754**
Total assets		**176,699,692**	**166,191,380**
EQUITY			
Share capital	19	15,000	15,000
Revaluation reserve	19b	45,045,211	43,957,542
Retained losses		(65,176,882)	(48,543,139)
		(20,116,671)	**(4,570,597)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	23	13,983,018	16,441,518
Lease liabilities	24	499,027	658,586
Employee benefit obligations	27	1,145,530	733,211
Deferred income	20	5,829,261	7,341,699
		21,456,836	25,175,014
Current liabilities			
Loans and borrowings	23	5,503,028	4,978,317
Lease liabilities	24	346,879	203,406
Employee benefit obligations	27	209,215	330,107
Trade and other payables	21	164,859,607	136,249,149
Contract liabilities	26	1,021,081	635,894
Deferred income	20	1,523,196	1,528,577
Provision	22	361,040	361,040
Current tax liabilities	12d	1,535,481	1,300,473
		175,359,527	145,586,963
Total liabilities		**196,816,363**	**170,761,977**
Total equity and liabilities		**176,699,692**	**166,191,380**

These financial statements were approved by the Board of Directors on 26 May 2021 and signed on its behalf by:

Olubunmi O. Peters	**Ernest Mupwaya**	**Odep Solomon**
Executive Vice Chairman/CEO	Managing Director/CCE	GM, Finance Operations
FRC/2014/COREN/00000007421	FRC/2016/COREN/00000015743	FRC/2021/001/00000022824

Note 1- 34 on pages 24 to 73 are an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December

	Share capital ₦'000	Retained losses ₦'000	Revaluation reserve ₦'000	Total ₦'000
At 1 January 2019	10,000	(172,737,140)	43,957,542	(128,769,598)
Profit for the year	-	124,292,535	-	124,292,535
Other comprehensive loss	-	(98,534)	-	(98,534)
Total comprehensive income	-	124,194,001	-	124,194,001
Transactions with owners in their capacity as owners:				
Increase in nominal value of share capital	5,000	-	-	5,000
Total	5,000	-	-	5,000
As at 31 December 2019	**15,000**	**(48,543,139)**	**43,957,542**	**(4,570,597)**
At 1 January 2020	15,000	(48,543,139)	43,957,542	(4,570,597)
Loss for the year	-	(16,505,189)	-	(16,505,189)
Other comprehensive (loss)/income	-	(128,554)	1,087,669	959,115
Total comprehensive loss	-	(16,633,743)	1,087,669	(15,546,074)
As at 31 December 2020	**15,000**	**(65,176,882)**	**45,045,211**	**(20,116,671)**

Notes 1- 34 on pages 24 to 73 are an integral part of these financial statements.

Statement of Cash flows
For the year ended 31 December

	Notes	2020	2019
		₦'000	₦'000
Cash flows from operating activities			
Cash generated from operations	28	13,311,900	10,114,507
Tax paid	12d	(98,064)	(50,000)
Defined benefit obligation paid	27b	(120,279)	(84,919)
Long service award paid	27a	(188,182)	(146,241)
Payment of letter of credit collateral		-	(991,281)
Net cash inflows from operating activities		**12,905,375**	**8,842,066**
Cash flows from investing activities			
Acquisition of property, plant & equipment	13	(677,274)	(3,710,483)
Proceeds from disposal of property, plant and equipment		1,313	-
Acquisition of intangible assets	14	(37,597)	-
Rent prepaid	24	-	(235,703)
Interest received		235,400	669,501
Net cash outflows from investing activities		**(478,158)**	**(3,276,685)**
Cash flows from financing activities			
Lease payment	24	(346,879)	(281,610)
Repayment of loans and borrowings	23e	(1,933,789)	(5,545,132)
Interest paid	23e	(3,586,144)	(2,837,490)
Net cash outflows from financing activities		**(5,866,812)**	**(8,664,232)**
Net increase/(decrease) in cash and cash equivalents		6,560,405	(3,098,851)
Cash and cash equivalents at the beginning of the year		1,267,151	4,395,622
Effects of exchange rate changes		(16,839)	(29,620)
Cash and cash equivalents at the end of the year	18	**7,810,717**	**1,267,151**

For the purpose of the cash flow statements, the restricted cash balance of ₦11.5 billion (2019: ₦9.3 billion) have been excluded from cash and cash equivalents.

Notes 1- 34 on pages 24 to 73 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

Abuja Electricity Distribution Plc ("the Company") is a public liability company incorporated on 8 November 2005 to take over as a going concern, the electricity distribution activities and related business of the Power Holding Company of Nigeria (PHCN) in the Federal Capital Territory (FCT) Abuja, Niger, Kogi and Nasarawa States. The Company is domiciled in Nigeria and has its registered office address at 1 Ziguinchor Street, Off IBB Way Wuse Zone 4, Abuja.

The Company supplies electricity within the regions above based on a licence granted to it by the Nigerian Electricity Regulatory Commission (NERC). The licence is for a period of 15 (fifteen) years and expires in 2028 with an option to renew for another 10 years. Based on the terms and conditions of the licence and regulations as contained in the Electrical Power Sector Reform Act (EPSRA) 2005, the Company is a monopoly within its geographical coverage area and operates under a price control regime known as the Multi Year Tariff Order (MYTO). The business activity of the Company during the year was governed by the TEM Rules which became effective from 1 February 2015.

On 1 November 2013, a Nigerian Company, KANN Utility Company Limited acquired 60% interest in the Company thereby acquiring control of the Company. The remaining 40% shareholding is held by Bureau of Public Enterprises (32%) and Ministry of Finance Incorporated (8%). The acquisition of the 60% interest in the Company was as a result of the privatization initiative of the power sector embarked on by the Federal Government of Nigeria.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, No 6, 2011. The financial statements were authorised for issue by the Board of Directors on 26 May 2021.

Details of the Company's significant accounting policies are included in Note 4.

Going concern basis of accounting

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and settle its liabilities in the normal course of business. See Note 34 for more details.

3. Functional and presentation currency

These financial statements are presented in Nigerian Naira (NGN), which is the Company's functional currency. All amounts stated in NGN have been rounded to the nearest thousand (₦'000), unless otherwise indicated.

4 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise.

a) Revenue from contract with customers

Revenue primarily represents the sales value of electricity and other related energy services supplied to customers during the year and excludes Value Added Tax. The Company generally recognises revenue when it transfers control over a good or service to a customer.

In line with the applicable tariff framework, prices charged by the Company for electricity distribution are regulated. However, the Company is allowed to recover excess costs incurred through future price increases charged on future deliveries. Similarly, where current regulated rates are determined to be excessive, the Company may be subject to a rate reduction in the future

Notes to the financial statements - Continued

against future deliveries. The Company does not recognise an asset or liability, as the case may be, on account of under-recovery or over-recovery except where it is obligated to provide future services at a loss in which case a provision is recognised.

Revenue from contract with customers are recognised based on the evaluation of the historical payment patterns of the customers.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Category of revenue	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Post-paid revenue	The performance obligation of the Company is satisfied overtime as electricity is supplied to the customers. Billing is done on a monthly basis and payment is contractually within 30 days of billing.	Revenue is recognised over time as electricity is provided. The amount of revenue to recognise during the year (including unbilled revenue for the value of units consumed by customers in December, extracted from the December meter reading (which will be billed in January)) is assessed based on the unit consumed method. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers.
Prepaid revenue	Satisfaction of performance obligation is same as post-paid revenue. Payment is received in advance of consumption of electricity.	Revenue is recognised over time as electricity is provided. In case of prepaid customers, an estimate is made for unearned revenue as at year-end and this is included in the statement of financial position as contract liability. The stand-alone selling price is determined based on the NERC approved tariff for the different categories of customers.

Tariff shortfalls

Tariff shortfalls arising from the difference between actual end-user tariffs approved by the Nigerian Electricity Regulatory Commission (NERC) and cost-reflective tariffs allowed by NERC for recovery are based on regulatory orders and subject to recovery through means other than recovery through billings to customers. Revenue is recognised at the point in time the regulatory orders are issued and a financial asset is created or a financial liability is derecognised as might be applicable.

b) Finance income and finance costs

Finance income comprises interest income on short-term deposits with banks and foreign exchange gains. Interest income on short-term deposits is recognised using the effective interest method. In addition, day-one-gain on initial recognition of loans at fair value are recognised as finance income.

Finance costs comprise interest expense on interest bearing liabilities, unwinding discount from CAPMI and foreign exchange losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

Foreign exchange gains and losses are recognised on net basis.

Write back of interest attributable to tariff shortfalls and interest expenses on liabilities to NBET are recognised on a net basis as either finance income or finance cost depending on whether the summation of both results in a net gain or a net loss position.

c) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in the functional currency (Nigerian Naira) at the spot exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the spot rates of exchange prevailing at that date.

Foreign currency differences are generally recognised in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

d) Property, plant and equipment (PPE)

i) Recognition and measurement

Land, buildings and distribution network assets are measured at revalued amounts, based on valuations by external independent valuers, less subsequent accumulated depreciation and accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Increases in the carrying amount arising on revaluation of land, buildings and distribution network assets are recognised in other comprehensive income (OCI) and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and reduces the amount accumulated in equity under the heading of revaluation reserve; all other decreases are recognised in profit or loss.

Likewise, increases that offset previous deficits of the same asset are recognised in the profit or loss to the extent of the previous decrease.

Assets under construction are stated at cost which includes cost of materials and direct labour and any costs incurred in bringing it to its present location and condition.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

ii) Subsequent expenditure

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset as appropriate, only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Notes to the financial statements - Continued

iii) Depreciation

Depreciation is calculated to write off the cost or revalued amount of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful life of items of property, plant and equipment are as follows:

	Life (years)
Buildings	5-50
Distribution network assets	15-50
Motor vehicles	5
Equipment, fixtures & fittings	5

Capital work-in-progress is not depreciated until when the asset is available for use and transferred to the relevant category of property, plant and equipment.

Land is not depreciated as it is a leasehold asset with an indefinite useful life.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv) Derecognition of PPE

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gains or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised.

v) Contribution of assets by customer

Contributions by customers of items of property, plant and equipment, which require an obligation to supply goods to the customer in the future, are recognised at the fair value when the Company has control of the item. The Company assesses whether the transferred item meets the definition of an asset, and if so recognises the transferred asset as PPE. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognised in revenue when the Company has no future performance obligations. If the Company is yet to discharge the future performance obligation, the corresponding amount is recognised as a deferred income pending the performance of the obligation. This is then released to revenue as the performance obligation is discharged overtime.

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortization and accumulated impairment losses. Acquired computer software licenses are capitalized on the basis of its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the software for its intended use.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in profit or loss as incurred.

Notes to the financial statements - Continued

Amortization

Amortisation is calculated to write-off the cost of intangible assets less the estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful life of items of intangible assets are as follows:

	Life (years)
Customer management system	10
Computer software licences	5

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Derecognition of Intangible Assets

The carrying amount of an item of intangible assets shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gains or losses arising from the derecognition of an item of intangible asset shall be included in profit or loss when the item is derecognised.

f) Financial instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair value through other comprehensive income)- debt investment; FVOCI – equity investment; or FVTPL (Fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

Notes to the financial statements - Continued

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by- investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets-Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Company's management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable-rate features;

Notes to the financial statements - Continued

- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets-Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment loss are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

The Company classifies non-derivative financial liabilities into the other financial liabilities' category.

All financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities with maturity date more than twelve months from the year end are classified as non-current. Otherwise they are classified as current.

iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Notes to the financial statements - Continued

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash balances with banks and fixed deposits that have maturity periods less than 3 months and form an integral part of the Company's cash management.

h) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

i) Government grants

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant. They are then recognised in profit or loss as other income on a systematic basis over the useful life of the associated asset.

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

j) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average cost principle. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of- use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Notes to the financial statements - Continued

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

-- fixed payments, including in-substance fixed payments;

-- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

-- amounts expected to be payable under a residual value guarantee; and

-- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in- substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i) Impairment of financial assets

i) Non-derivative financial assets

Financial instruments and contracts assets
The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost; and
- Contract assets

The Company measures loss allowances at an amount equal to lifetime ECLs except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Notes to the financial statements - Continued

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

-- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

-- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when the security is held with a financial institution that have high credit ratings and meet the cash and liquidity thresholds set by the Central Bank of Nigeria (CBN).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For customers, the Company makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Notes to the financial statements - Continued

ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

m) Employee benefits

i) Short term employee benefits

Short – term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee renders the related service. Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for all staff effective from 1 November 2013. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees.
Employees contribute 8% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 10% of each employee's basic salary, transport and housing allowances.

iii) Defined benefits plan

The Company's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed annually by qualified actuary using the projected unit credit method. Currently, none of the plans is funded.

Remeasurements of the defined benefit liability, which comprise remeasurement gains and losses are recognised immediately in OCI.

The Company determines the net interest expense (income) on the defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Notes to the financial statements - Continued

iv) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits (long service award) is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements gain loss are recognised in profit or loss in the period in which they arise.

v) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

n) Provisions and contingent liabilities

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

o) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Notes to the financial statements - Continued

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

p) Income tax

Income tax expense comprises current tax (company income tax, tertiary education tax, and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year)

Current tax assets and liabilities are offset if certain criteria are met.

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

ii) Offset of current tax assets against current tax liabilities

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the Company has a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefits would be realized.

iii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

Notes to the financial statements - Continued

Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company as approved by the Board.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax are reassessed at each reporting date and recognised to the extent that it has become probable that future profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

q) Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

In line with the Finance Act 2020, minimum tax is determined as 0.25% of gross turnover.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

r) Operating (loss)/profit

Operating (loss)/profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating (loss)/profit excludes net finance costs, minimum tax, and income taxes.

s) Measurement of fair values

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. The Chief Finance Officer (CFO) has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Audit Committee and Board of Directors.

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the CFO

Notes to the financial statements - Continued

assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and Board of Directors. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

i Defined benefit obligations

The cost of the defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bonds and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligations.

ii Useful lives of property, plant and equipment

The Company recognises depreciation on property, plant and equipment on a straight-line basis in order to write-off the cost of the asset over its expected useful life. The economic life of an asset is determined based on existing wear and tear, economic and technical ageing, legal and other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Company may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

iii Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 31.2.1.

Notes to the financial statements - Continued

iv Revaluation of properties, plant and equipment

The company measures Land, building and distribution network assets using the revaluation model. The valuation is carried out by an independent valuer using the exchange worth in the open market for the Land and building and depreciated replacement approach for distribution network assets. The key assumptions used to determine the fair value and sensitivity analysis are disclosed in Note 13d.

5.1 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

i IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

ii Amendments to IAS 1: Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice.

iii Reference to the conceptual framework- Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

Notes to the financial statements - Continued

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

iv Property, plant and equipment: Proceeds before Intended Use- Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

v Interest Rate Benchmark Reform - Phase 2-Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

The amendment is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

vi Onerous Contracts- Costs of Fulfilling a Contract-Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Notes to the financial statements - Continued

vii IFRS 9 Financial Instruments- Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

viii IAS 41 Agriculture-Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.
The amendments are not expected to have a material impact on the Company.

5.2 New and amended standards adopted by the Company

The following amendments became effective during the year, but had no material impact on the Company:

i Amendments to IFRS 3: Definition of a Business

ii Amendments to IFRS 9 and IAS 39: Interest Rate Benchmark Reform

iii Amendments to IAS 1 and IAS 8: Definition of Material

iv Amendments to IFRS 16 Covid Related Rent Concessions

v Conceptual Framework for Financial Reporting issued on 29 March 2018

6 Revenue

A Revenue streams

The Company generates revenue primarily from delivering of electricity and other related activities across the Company's distribution network in the Federal Capital Territory (FCT) Abuja, Kogi, Nasarawa and Niger States. Other sources of revenue in the current period include tariff shortfall issued by the regulator, Nigerian Electricity Regulatory Commission (NERC) and assets contributed by the customers.

Notes to the financial statements - Continued

	2020 ₦'000	2019 ₦'000
Revenue from contracts with customers	75,977,525	88,322,469
Other revenue		
Tariff shortfall awarded by NERC	51,514,693	164,909,064
Customer contributed assets	5,953,571	2,756,178
	57,468,264	167,665,242
Total revenue	**133,445,789**	**255,987,711**

i **Tariff shortfall awarded by NERC**

On 1 July 2019 and 31 December 2019, the Nigerian Electricity Regulatory Commission (NERC) issued the Minor Review and Minimum Remittance Orders - Order No. NERC/GL/170 "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" and Order No. NERC/GL/184/2019 "December 2019 Minor Review Multi Year Tariff Order 2015 and Minimum Remittance Order for the year 2020". These Orders award the Company a sum of ₦62.69billion as the tariff shortfall for 2019 and projected a sum of ₦57.27million for 2020. However, based on the approved parameters for computing the tariff shortfall, the Company had recognised a total sum of ₦51.5billion as shortfall for 2020 financial year. In line with the orders, the awarded tariff shortfalls are netted off the Company's payables to NBET.

ii **Customer contributed assets**

The Nigerian Electricity Regulatory Commission (NERC) issued the Meter Asset Provider (MAP) Regulation requiring all distribution companies to engage the services of MAPs towards covering the metering gap in the country. In 2019 comparative year, the Company appointed three (3) MAP entities to supply and install meters to its customers within the network. In line with the regulation, the customers bear all costs relating to delivery, activating and maintaining the meters though ownership resides with the Company and these meters are a requirement of the Company to fulfil its contract with the customers. Meters amounting to ₦5.95billion (2019: ₦2.63billion) were contributed by the customers during the year and have been recorded at their fair values.

During the year, no substation was received from any customer (2019: ₦121.24million).

B **Disaggregation of revenue from contracts with customers**

In the following table, revenue from contracts with customers is disaggregated by customer mode of payment.

Unbilled revenue from post-paid customers

Unbilled receivables for the value of units supplied to customers in December 2020 is extracted from the December meter reading (which is billed in January 2021). Unbilled receivables (i.e. included in current year revenues) amounted to ₦6.38billion (2019: ₦5.69billion) and has been included as part of trade receivables.

Estimation of bills to unmetered customers

Bills to unmetered customers are estimated per feeder. The energy consumed by metered customers (postpaid and prepaid) on a feeder represents the accounted quantum of energy, while the difference between the total energy supplied to the feeder less technical losses and the accounted energy represents the unaccounted energy which is billed to unmetered customers in the proportion of their load wattage.

Notes to the financial statements - Continued

The load wattage represents the estimated monthly minimum consumption of an unmetered customer. This is then used to multiply the grid factor which is the proportion of the unaccounted energy distributed to the feeder to the cumulative load wattage of all unmetered customers on the feeder.

		2020 ₦'000	2019 ₦'000
6.1	**Classification by customer payment mode**		
	Postpaid	51,986,874	65,522,895
	Prepaid	23,990,651	22,799,574
		75,977,525	88,322,469
6.2	**Timing of revenue recognition**		
	Over time	75,977,525	88,322,469
	Point in time	-	-
		75,977,525	88,322,469

		2020 ₦'000	2019 ₦'000
7	**Expenses by nature**		
	Auditor remuneration	60,453	108,000
	Amortization of intangible assets (Note 14)	109,043	119,620
	Bank charges	126,109	104,307
	Board expenses	782	2,242
	Commission to super vendors	675,744	1,311,492
	Consumables and other direct costs	649,794	110,680
	Consultancy fees	383,938	531,404
	Cost of energy*	108,828,445	98,053,024
	Depreciation of PPE (Note 13)	4,759,258	4,473,085
	Depreciation- right-of-use- assets (Note 25)	350,450	383,401
	Directors remuneration (Note 11d)	554,189	576,884
	Insurance	392,425	556,152
	Litigation expenses	3,000	10,500
	Maintenance expenses	1,239,857	1,222,555
	Office repairs and maintenance	427,096	528,919
	Office stationery and utilities	622,288	1,276,935
	Operations and maintenance service fees	1,775,183	1,734,021
	Other expenses*	70,907	713,178
	Professional services	525,188	490,790
	Rent and accommodation expense	201,864	142,687
	Revaluation deficit on land and building (Note 13d)	247,416	-
	Security and safety	613,407	913,525
	Staff and related costs (Note 11a)	13,826,666	14,262,132
	Subscription and registration	266,209	327,823
	Transport	389,990	1,069,020
	Write-off of property, plant and equipment	2,747	53,217
	Total cost of sales and administrative expenses	**137,102,448**	**129,075,593**

*Other expenses relate to advertising, marketing, publicity and other business development expenses. Cost of energy for 2019 comparative year was recognised net of discount received amounting to ₦4.9 billion (Note 21.1).

Notes to the financial statements - Continued

Analysed in the statement of profit or loss and other comprehensive income as follows:

		2020 ₦'000	2019 ₦'000
7a	Cost of sales	114,340,267	104,049,762
	Administrative expense	22,762,181	25,025,831
		137,102,448	129,075,593

7b Non audit services paid to the statutory auditors

Non audit services paid to the statutory auditors comprises:

	2020	2019
Tax advisory services	-	28,698

8	**Other income**	2020 ₦'000	2019 ₦'000
	Service reconnection fees	69,890	432,532
	Administrative charge on meter tampering	311,014	572,365
	Amortisation of government grant (Note 20.1)	1,517,819	1,528,577
	Insurance claims	45,933	57,831
	Miscellaneous income	28,960	39,680
	Gain on disposal of PPE	313	-
	Gain on lease derecognition	114,724	-
		2,088,653	**2,630,985**

8a) Miscellaneous income

The Company earned income from other services such as production of identity cards for employees.

9 Finance income and finance costs

		2020 ₦'000	2019 ₦'000
a	**Finance income**		
	Interest income on short term deposits and letter of credit collateral	256,734	669,501
	Net interest on NBET and ONEM bills (Note 21.1)	-	23,557,181
		256,734	**24,226,682**
b	**Finance cost**		
	Interest on loans (Note 23e)	3,586,144	4,879,795
	Foreign exchange loss (net)*	207,680	37,464
	Fair value loss on loans (Note 23e)	-	948,611
	Net interest on NBET and ONEM bills (Note 21.1)	5,482,752	-
	Interest on lease liability (Note 24)	188,867	175,503
		9,465,443	**6,041,373**
	Net finance (cost)/income	**(9,208,709)**	**18,185,309**

*Included in foreign exchange loss is the unrealised portion amounting to ₦29.5 million (2019: ₦37.5 million) recognised in the statement of cash flow.

Notes to the financial statements - Continued

C Net interest on NBET and ONEM bills

	2020	2019
	₦'000	₦'000
Writeback of interest attributable to the tariff shortfalls	19,148,539	56,982,523
Interest on NBET and ONEM bills	(24,631,291)	(33,425,342)
	(5,482,752)	23,557,181

Ci) Net interest on NBET and ONEM bills

This represents interest arising from the non-payment of minimum/base line remittances on the Nigerian Bulk Electricity Trading (NBET) and Operator of the Nigerian Electricity Market (ONEM) invoices during the year. In line with the NERC order No. NERC/GL/170 "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" issued in 2019 comparative year, the Company was required to remit 45% and 100% of the NBET and ONEM bills respectively. The shortfall on remittance attracts interest at NIBOR plus 4%.

Cii) Write back of interest attributable to the tariff shortfalls

This represents write back of interests attributable to the tariff shortfall awarded by NERC during the year. In line with the NERC order No. NERC/GL/170 "The 2016 - 2018 Minor Review of the Multi Year Tariff Order (MYTO) 2015 and Minimum Remittance Order for the year 2019" issued in 2019 comparative year, the Company has written back interest payable on unpaid NBET and ONEM invoices and attributable to the tariff shortfall (See Note 21.1).

10 (Loss)/profit before minimum tax and income tax

(Loss)/profit before minimum and income tax is stated after charging/(crediting):

	2020	2019
	₦'000	₦'000
Auditor remuneration	60,453	108,000
Depreciation of PPE (Note 13)	4,759,258	4,473,085
Depreciation- right-of-use- assets (Note 25)	350,450	383,401
Amortisation of intangible assets (Note 14)	109,043	119,620
Staff and related costs (Note 11a)	13,826,666	14,262,132
Directors remuneration (Note 11d)	554,189	576,884
Foreign exchange loss (net)	207,680	37,464
Write-off of property, plant and equipment	2,747	53,217

11 Employee benefit expense and director remuneration

11a Employee benefit expense during the year amounted to:

	2020	2019
	₦'000	₦'000
Salaries and wages	12,369,192	12,856,606
Pension cost	997,244	999,488
Termination benefits	1,605	26,439
Gratuity (Note 27)	206,819	158,108
Long service award (Note 27)	251,806	221,491
	13,826,666	14,262,132

Notes to the financial statements - Continued

11b Number of employees of the Company as at 31 December, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration excluding pension contributions and certain benefits) in the following

Amount (₦)	Number	Number
200,001 - 2,200,000	1,704	1,749
2,200,001 - 4,200,000	1,254	1,223
4,200,001 - 6,200,000	268	282
6,200,001 - 8,200,000	80	77
8,200,001 - 10,200,000	50	62
10,200,001 - 12,200,000	38	26
12,200,001 - 14,200,000	33	29
14,200,001 - 16,200,000	5	10
16,200,001 - 18,200,000	6	5
18,200,001 - 20,200,000	7	4
20,200,001 - 22,200,000	12	11
22,200,001 - 24,200,000	8	8
24,200,001 - 26,200,000	2	3
30,200,001 - 32,200,000	-	1
38,200,001 - 40,200,000	-	1
52,200,001 - 58,200,000	2	4
58,200,001 - 75,900,000	-	1
75,900,001 – 102,500,000	-	1
102,500,001 – 124,800,000	1	1
124,800,001 – 147,100,000	2	2
147,100,001 - 169,400,000	1	1
169,400,001 - 191,700,000	-	1
191,700,001 – 214,000,000	1	-
	3,474	3,502

11c The average number of full-time personnel employed by the company during the year are as follows:

	2020 Number	2019 Number
Administration	346	419
Finance	217	381
Marketing	1,605	1,347
Technical	1,306	1,355
	3,474	3,502

11d Director remuneration

	2020 ₦'000	2019 ₦'000
Directors' remuneration paid during the year comprises:		
Director fees	335,481	373,027
Salaries	190,208	141,387
Other emolument	28,500	62,470
	554,189	576,884

Notes to the financial statements - Continued

The directors' remuneration shown above includes:	2020 ₦'000	2019 ₦'000
Chairman	73,077	72,322
	======	======
Highest paid director	176,368	189,608
	======	=======

The number of directors (excluding the Chairman and highest paid director) who received emoluments excluding pension contributions and certain benefits were within the following range:

	2020 Number	2019 Number
₦20,000,000 - ₦52,000,000	5	5
	=====	=====

		2020 ₦'000	2019 ₦'000
12a	**Minimum tax expense**		
	Minimum tax expense	334,886	774,499
	Prior years under provision of minimum tax	-	471,720
		-------------	--------------
		334,886	1,246,219
		=======	========

The Company applied the provisions of the Company Income Tax Act and the Finance Act 2020 that mandates a minimum tax assessment, where a taxpayer's tax liability based on taxable profit is less than the minimum tax liability.

		2020 ₦'000	2019 ₦'000
12b	**Income tax expense**		
	Tertiary Education Tax	-	245,689
	Nigeria Police Trust Fund Levy (NPTF)*	-	6,290
		----------	-------------
	Total	-	251,979
		=====	=======

The Company is subject to tax under the Companies Income Tax Act as amended to date.
* The Nigeria Police Trust Fund (Establishment) Act, 2019 imposes a levy of 0.005% of the net profit of companies operating business in Nigeria.

Notes to the financial statements - Continued

12c Reconciliation of effective tax rates

	2020 ₦'000	2019 ₦'000
(Loss)/Profit before minimum tax and income tax	(16,170,303)	125,790,733
Income tax using the statutory tax rate	(4,851,091)	37,737,220
Tertiary Education Tax	-	245,689
Current year losses for which no deferred tax is recognised	5,951,758	5,113,525
Prior year tariff shortfalls	-	(42,638,937)
Tax exempt income	(445,048)	(448,738)
Tax incentives	(193,592)	(156,199)
Nigeria Police Trust Fund Levy (NPTF)	-	6,290
Difference in CIT and TET rates	-	(89,462)
Non-deductible expenses	42,689,285	482,591
Utilisation of previously unrecognised tax losses	(43,151,312)	-
	-	251,979

12d Current tax liabilities

	2020 ₦'000	2019 ₦'000
Balance as at 1 January	1,300,473	-
Minimum tax charge	334,886	1,246,219
Tax charge	-	251,979
Tax paid	(98,064)	(50,000)
	1,537,295	1,448,198
Withholding tax assets offset against tax payable	(1,814)	(147,725)
Balance as at 31 December	1,535,481	1,300,473

12e Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items because of the uncertainty around the availability of future taxable profits against which the Company can use the benefits therefrom.

	2020 ₦'000	2019 ₦'000
Tax losses (will never expire)	23,705,673	21,680,359
PPE (Unutilised capital allowance)	17,913,846	16,505,679
Deductible temporary differences	26,350,363	24,469,578
	67,969,882	62,655,616

Deferred tax liability on revaluation surplus was not recognised because property, plant and equipment have a net deferred tax asset position not recognised.

Notes to the financial statements - Continued

13 Property, plant and equipment

	Land ₦'000	Buildings ₦'000	Distribution network assets ₦'000	Equipment, fixtures and fittings ₦'000	Motor vehicles ₦'000	Capital work in progress ₦'000	Total ₦'000
Cost or valuation							
Balance as at 1 January 2019	13,094,046	4,510,031	90,258,992	3,049,469	1,466,782	1,178,017	113,557,337
Additions	-	177,875	2,102,243	-	574,546	3,611,997	6,466,661
Write off	-	-	-	(7,118)	-	(49,777)	(56,895)
Transfers	-	-	3,104,395	514,020	-	(3,618,415)	-
Balance as at 31 December 2019	**13,094,046**	**4,687,906**	**95,465,630**	**3,556,371**	**2,041,328**	**1,121,822**	**119,967,103**
Balance as at 1 January 2020	13,094,046	4,687,906	95,465,630	3,556,371	2,041,328	1,121,822	119,967,103
Additions	-	111,527	6,091,800	110,449	-	317,069	6,630,845
Revaluation	20,156	820,097	-	-	-	-	840,253
Transfer/reclassification	-	-	361,266	36,687	-	(397,953)	-
Disposal	-	-	-	(2,028)	(26,893)	-	(28,921)
Write off	-	-	-	-	-	(2,747)	(2,747)
Balance as at 31 December 2020	**13,114,202**	**5,619,530**	**101,918,696**	**3,701,479**	**2,014,435**	**1,038,191**	**127,406,533**
Depreciation							
Balance as at 1 January 2019	-	137,993	-	1,109,031	660,781	-	1,907,805
Charge for the year	-	139,924	3,352,011	632,718	348,432	-	4,473,085
Write off	-	-	-	(3,678)	-	-	(3,678)
Balance as at 31 December 2019	**-**	**277,917**	**3,352,011**	**1,738,071**	**1,009,213**	**-**	**6,377,212**

Notes to the financial statements - Continued

Balance as at 1 January 2020	-	277,917	3,352,011	1,738,071	1,009,213	-	6,377,212
Charge for the year	-	94,953	3,596,221	696,954	371,130	-	4,759,258
Disposal	-	-	-	(1,267)	(26,654)	-	(27,921)
Balance as at 31 December 2020	**-**	**372,870**	**6,948,232**	**2,433,758**	**1,353,689**	**-**	**11,108,549**
Net Book Value							
As at 31 December 2020	**13,114,202**	**5,246,660**	**94,970,464**	**1,267,721**	**660,746**	**1,038,191**	**116,297,984**
As at 31 December 2019	**13,094,046**	**4,409,989**	**92,113,619**	**1,818,300**	**1,032,115**	**1,121,822**	**113,589,891**

Notes to the financial statements - Continued

		2020 ₦'000	2019 ₦'000
13a	The depreciation charge for the year is allocated as follows:		
	Cost of sales	3,596,221	3,352,011
	General and administrative expenses	1,163,037	1,121,074
	Depreciation for the charge (Note 7)	4,759,258	4,473,085
13b	**Reconciliation of additions to property, plant and equipment to statement of cash flow**		
	Total additions	(6,630,845)	(6,466,661)
	Customer contributed assets (Note 6a)	5,953,571	2,756,178
	Acquisition of property, plant & equipment	(677,274)	(3,710,483)

13c The Company had capital commitments amounting to ₦115.9million (2019: ₦999.79million)

13d **Fair values of Land, building and distribution network assets**

Independent valuations of the Company's land, buildings and distribution network assets are performed by external valuers to determine their fair values.

On 31 December 2020, the Company revalued its land and building. The valuation was carried out by Anchoru Associates (FRC/2015/00000007097), an external valuer.

The fair value of the Land was determined to be ₦13.11 billion resulting in a net surplus of ₦20.2 million representing an amount of ₦242.9 million as revaluation surplus in other comprehensive income and ₦222.7 million as revaluation deficit in profit or loss.

The fair value of the Building was determined to be ₦4.9 billion resulting in a net surplus of ₦820.1 million representing an amount of ₦844.8 million as revaluation surplus in other comprehensive income and ₦24.7 million as revaluation deficit in profit or loss.

The fair value of the land and building was determined using the exchange worth of the property in the open market, taking into consideration the discounted net benefits derivable from the property over its useful economic life, cost of building a similar property after adjusting for physical, economic and functional obsolence.

Significant unobservable valuation input:	**Range**
Price per square metre	₦50,000 -₦230,000

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value.

The distribution network assets were revalued at 31 December 2018 in line with the accounting policy. The external valuations of the distribution network assets have been performed using a depreciated replacement cost approach. The external valuers derived the significant other observable inputs by collating prices of similar items from six independent vendors and adjusting for differences in key attributable such as age, conditions of assets and cost of installations.

Significant increase (decrease) in estimated depreciated replacement cost would result in a significantly higher or lower fair value.

Notes to the financial statements - Continued

Fair value hierarchy	Level 3 ₦'000
Land	13,114,202
Building	4,924,860
Distribution network assets	95,465,630

There were no transfers between fair value hierarchies during the year.

Revaluation surplus recognised in other comprehensive income	**2020** **₦'000**
Land	242,899
Building	844,770
	1,087,669

Revaluation deficit recognised in profit or loss	**2020** **₦'000**
Land	222,743
Building	24,673
	247,416

13e Capital work in progress (CWIP)

	2020 ₦'000	2019 ₦'000
Capital work in progress (CWIP) comprises:		
PPE items in store*	202,707	472,390
Ongoing works with respect to substations	835,484	649,432
	1,038,191	1,121,822

* PPE items in store consist mainly of transformers of ₦21.619million (2019: ₦166.34million) and meters of ₦162.2million (2019: ₦220.32million).

13f Land, building and distribution network assets: historical assets

If Land, building and distribution network assets were stated on historical cost basis, the carrying amounts would be as follows:

	Land **₦'000**	**Building** **₦'000**	**Distribution network assets** **₦'000**
31 December 2020			
Cost	11,702,055	4,831,294	21,278,592
Accumulated depreciation	-	(1,331,656)	(1,259,731)
Net book value	**11,702,055**	**3,499,638**	**20,018,861**

Notes to the financial statements - Continued

	Land	Building	Distribution network assets
	₦'000	₦'000	₦'000
31 December 2019			
Cost	11,702,055	4,719,767	16,421,822
Accumulated depreciation	-	(1,235,030)	(1,235,030)
Net book value	11,702,055	3,484,737	15,186,792

14 Intangible assets

	Computer software licenses	Customer management system	Total
	₦'000	₦'000	₦'000
Cost			
Balance as at 1 January 2019	215,235	1,013,315	1,228,550
Additions	-	-	-
Disposal	-	-	-
Balance as at 31 December 2019	215,235	1,013,315	1,228,550
Balance as at 1 January 2020	215,235	1,013,315	1,228,550
Additions	37,597	-	37,597
Disposal		-	
Balance as at 31 December 2020	252,832	1,013,315	1,266,147
Accumulated amortisation			
Balance as at 1 January 2019	188,596	-	188,596
Charge for the year	18,288	101,332	119,620
Disposal	-	-	-
Balance as at 31 December 2019	206,884	101,332	308,216
Balance as at 1 January 2020	206,884	101,332	308,216
Charge for the year	7,711	101,332	109,043
Disposal			-
Balance as at 31 December 2020	214,595	202,664	417,259
Net Book Value			
As at 31 December 2020	38,237	810,651	848,888
As at 31 December 2019	8,351	911,983	920,334

Amortisation of intangible assets is included as part of administrative expenses (Note 7).

Notes to the financial statements - Continued

		2020	2019
		₦'000	₦'000
15	**Inventories**		
	Consumable spare parts	151,820	219,194
	Other consumables	31,724	37,374
		183,544	256,568

Inventories recognised as expense include consumable spare parts and other consumables used in maintenance during the year. They are included in maintenance expenses in cost of sales and amounted to ₦403 million (2019: ₦1.22 billion). In addition, inventories have been reduced by nil (2019: ₦36.60 million) as a result of the write- down to net realisable value. This write-down was recognised as an expense in cost of sales in 2019 comparative year.

		2020	2019
16	**Trade and other receivables**	₦'000	₦'000
	Trade receivables	38,213,724	37,892,554
	Other receivables	1,082,788	1,719,762
		39,296,512	**39,612,316**
	Trade receivables- Gross	117,171,565	111,456,807
	Impairment loss	(78,957,841)	(73,564,253)
	Trade receivables- Net	**38,213,724**	**37,892,554**
	Other receivables- Gross	1,416,625	2,053,599
	Impairment loss	(333,837)	(333,837)
	Other receivables- Net	**1,082,788**	**1,719,762**

		2020	2019
16a	**Other receivables**	₦'000	₦'000
	Employee receivables*	16,047	59,490
	Interest receivables	21,334	-
	Amount due from a related party (Note 29d)	104,897	57,287
	Unpaid share capital	7,500	7,500
	Advance payment to vendors	933,010	1,595,485
		1,082,788	**1,719,762**

* This relates to employee advances during the year.

		2020	2019
16b	**Reconciliation of impairment allowance on trade receivables**	₦'000	₦'000
	As at 1 January	73,564,253	51,681,717
	Charge for the year	5,393,588	21,882,536
	As at 31 December	**78,957,841**	**73,564,253**

Notes to the financial statements - Continued

16c Reconciliation of impairment allowance on other receivables

	2020 ₦'000	2019 ₦'000
As at 1 January	333,837	278,694
Charge for the year	-	55,143
As at 31 December	**333,837**	**333,837**

17 Prepayment

	2020 ₦'000	2019 ₦'000
Insurance	47,274	433,695

18 Cash and cash equivalents

	2020 ₦'000	2019 ₦'000
Bank balances	7,807,304	1,263,026
Cash on hand	3,413	4,125
Cash and cash equivalents per statement of cash flow	7,810,717	1,267,151
Restricted cash balances	11,488,172	9,291,024
	19,298,889	**10,558,175**

Included in restricted cash balance is a cash-backed guarantee of ₦10.188 billion obtained from United Bank for Africa as a requirement for participation in the Transitional Electricity Market (TEM).
Also included in restricted cash balance is an amount of ₦1.2 billion set aside with United Bank for Africa as Value Added Tax (VAT) deductions in 2020 in order to comply with the Waterfall Settlement prescribed by the Central Bank of Nigeria and NERC.

19 Share capital and reserves

19a Share capital comprises:

	2020 ₦'000	2019 ₦'000
Authorised, Issued and called-up:		
15,000,000 ordinary shares at ₦1 each	15,000	15,000
Issued, called-up and paid:		
7,500,000 ordinary shares at ₦1 each	7,500	7,500
Unpaid share capital:		
7,500,000 ordinary shares at ₦1 each	7,500	7,500

Notes to the financial statements - Continued

19b Nature and purpose of reserves

Revaluation reserve

The revaluation reserve relates to the revaluation surplus arising from the revaluation of land, buildings and distribution network assets. This was recorded in other comprehensive income as an item that will not be reclassified to profit or loss. See Note 13(d).

Revaluation reserve is made up as follows:	2020 ₦'000	2019 ₦'000
Land and building	5,286,362	4,198,693
Distribution network	39,758,849	39,758,849
	45,045,211	43,957,542

20 Deferred income

	2020 ₦'000	**2019** ₦'000
Government grant	7,352,457	8,870,276
Non-current portion	5,829,261	7,341,699
Current portion	1,523,196	1,528,577
	7,352,457	8,870,276

Over the years, the Company received some assets granted to it by the government in a bid to improve the infrastructure within the Company's region of operation. In 2018, the Company received a specialised streetlight and line maintenance vehicle from the United States Agency for International Development (USAID). These assets have been included in property, plant and equipment. Amortization of the deferred income is at the same rate as the associated PPE is depreciated. There were no government granted assets in the years 2019 and 2020.

In 2018, the Company drew down on three different loans from the Central Bank of Nigeria (CBN), Transmission Company of Nigeria (TCN) and Nigerian Electricity Liability Management Company (NELMCO) respectively at below market interest rates and one from Central Bank of Nigeria in 2019. The Directors have considered that these entities granted the loans in their capacity as agencies of the Federal Government of Nigeria (FGN). As a result, the difference between the fair values at initial recognition and the loan balances at the coupon rates has been recognised as deferred income. Amortization of the deferred income is over the life of the loan. There was no draw down from any agency of the Federal Government of Nigeria (FGN) during the year.

20.1 Reconciliation of deferred income

	2020 ₦'000	2019 ₦'000
Balance as at 1 January	8,870,276	10,398,853
Amortisation to profit or loss	(1,517,819)	(1,528,577)
Balance as at 31 December	7,352,457	8,870,276

Notes to the financial statements - Continued

21 Trade and other payables

	2020 ₦'000	2019 ₦'000
Trade payables (Note 21.1)	123,845,189	102,955,137
Payables to other vendors	5,922,752	7,335,121
Due to related parties (Note 29d)	2,589,470	1,224,282
Payables to NELMCO	745,711	823,840
Accruals	5,605,821	5,709,834
	138,708,943	118,048,214
Statutory deductions	26,150,664	18,200,935
	164,859,607	**136,249,149**

Statutory deductions consist of VAT, NHF, pension, PAYE and ITF.

21.1 Trade payables

Trade payables comprise amount due to the Nigerian Bulk Electricity Trading Plc (NBET) and the Operator of the Nigerian Electricity Market (ONEM). NBET is the supplier of power to the Company and bills for the cost of energy while other administrative charges incidental to the cost of energy are billed by ONEM.
The movement in the account is as follows:

	2020 ₦'000	2019 ₦'000
As at 1 January	102,955,137	235,103,570
Cost of energy	108,828,445	102,964,440
Interest on shortfall	24,631,291	33,425,342
Net-off of 2015 - 2018 tariff shortfall	-	(102,219,064)
Net-off of 2019 tariff shortfall	-	(62,690,000)
Net-off of 2020 tariff shortfall	(51,514,693)	-
Net-off of interest on tariff shortfall	(19,148,539)	(56,982,523)
Discount granted by NBET	-	(4,911,416)
Payments	(41,906,452)	(41,735,212)
As at 31 December	**123,845,189**	**102,955,137**

22 Provisions

	2020	2019
At 1 January	361,040	-
Provision made during the year	-	361,040
At 31 December	361,040	361,040

In 2019, the Company was subjected to a regulatory fine which it is currently contesting in the court of law. In addition, the Company did not comply with some filing requirements required of it. The estimates of the expected cash outflow that the Company might be required to make as a result of the regulatory fine and non-compliance with filing requirements amounted to ₦250 million (2019: ₦250 million) and ₦111.04 million (2019: ₦111.04 million) respectively and these have been provided for in these financial statements. The directors expect these matters to be resolved within the next 12 months.

Notes to the financial statements - Continued

23	**Interest bearing loans and borrowings**	2020	2019
		₦'000	₦'000
	Vendor financed loan (Note 23a)	4,535	510,265
	CBN loan (Note 23b)	14,026,544	15,366,103
	CAPMI loan (Note 23d)	1,115,520	1,115,520
	NELMCO loan (Note 23c)	704,489	685,675
	TCN loan (Note 23c)	3,634,958	3,742,272
		19,486,046	21,419,835
	Current portion	5,503,028	4,978,317
	Non-current portion	13,983,018	16,441,518
		19,486,046	21,419,835

23a Vendor financed loan

In a bid to reduce its aggregate technical, commercial, and collection losses, the Company entered into two unsecured vendor financed contracts for the acquisition and installation of meters in 2018.
Both contracts are priced at an interest of 12% and have tenors of 12 months and 32 months respectively. The first contract matured during the year while the second contract matures in less than 12 months.

23b CBN loan

In prior years, the Central Bank of Nigeria commenced disbursement to market participants who have met the conditions precedent to the disbursement of the CBN-Nigerian Electricity Stabilization Facility (CBN NEMSF). The NEMSF amounting to ₦213 billion for the whole sector, is aimed at settling outstanding payment obligations due to the market participants during the interim rules period as well as the legacy debts of the PHCN generation Companies owed to gas suppliers which have been transferred to NELMCO.

As at 2019, the Company received three tranches of ₦20.23 billion (2018), ₦3.49 billion (2018) and ₦1.08 billion (2019) from the NEMSF. These are to be repaid within 81 months from disbursement with a contractual interest rate of 10%. During the year, the contractual interest rate was changed to 5% effective from 1 March 2020 to 28 February 2021 after which the rate will revert to 10%.

23c TCN and NELMCO loans

In a bid to raise required cash to collateralize a letter of credit in favour of NBET, the Company entered into loan agreements with the Nigeria Electricity Liability Management Company (NELMCO) and the Transmission Company of Nigeria (TCN). The drawdowns amounting to ₦6.50billion and ₦1.21billion from TCN and NELMCO respectively were utilized by the Company to establish the letter of credit required for participation in the Transitional Electricity Market (TEM).

The contracts have a tenor of 48 months from disbursement with interest of 10%.

23d CAPMI Loan

In a bid to bridge the metering gap and to reduce estimated billings, NERC issued the Credited Advance Payment for Metering Implementation (CAPMI) scheme. The CAPMI scheme allowed willing customers to advance funds to the distribution companies for meter procurement and installation. Amounts advanced by a customer under this scheme plus a one-off nominal interest

Notes to the financial statements - Continued

of 12% less cost of installation, is refundable to the customer in monthly instalments such that the repayment period shall not exceed 3 years.
As at 2019, all the outstanding balance on the loan was repayable on demand and there have been no claims in the current year.

23e.	Reconciliation of loans and borrowings	2020 ₦'000	2019 ₦'000
	Balance as at 1 January	21,419,835	23,974,051
	Interest accrued	3,586,144	5,828,406
	Principal repayment	(1,933,789)	(5,545,132)
	Interest paid	(3,586,144)	(2,837,490)
	Balance as at 31 December	19,486,046	21,419,835

24	Lease liabilities	2020 ₦'000	2019 ₦'000
	As at 1 January	861,992	-
	Additions during the year	530,917	968,099
	Interest expense	188,867	175,503
	Payment during the year	(346,879)	(281,610)
	Derecognition	(388,991)	-
	As at 31 December	845,906	861,992
	Current portion	346,879	203,406
	Non-current portion	499,027	658,586
		845,906	861,992

The Company has lease contracts for various office and residential buildings located in the Federal Capital Territory (Abuja), Niger, Kogi and Nasarawa states. The lease terms are between 2 - 5 years. Derecognition relates to leases that were terminated early.

The following are the amount recognised in profit or loss	2020 ₦'000	2019 ₦'000
Depreciation expense of right-of-use-assets	350,450	383,401
Expense relating to short-term expenses	194,762	47,962
Interest expense on lease liabilities	188,867	175,503
Total amount recognised in profit or loss	734,079	606,866
The following are the impact of the lease on cash flow		
Depreciation expense of right-of-use-assets	350,450	383,401
Interest expense on lease liabilities	188,867	175,503
Net cash flow from operating activities	539,317	558,904
Rent prepaid	-	(235,703)
Net cash flow from investing activities	-	(235,703)

Notes to the financial statements - Continued

Lease payment	(346,879)	(281,610)
Net cash flow from financing activities	(346,879)	(281,610)

25 Right of use asset-Buildings

	2020 ₦'000	2019 ₦'000
Cost		
At 1 January	1,203,802	-
Additions	530,917	1,203,802
Derecognition	(488,523)	-
At 31 December	1,246,196	1,203,802
Accumulated depreciation		
At 1 January	383,401	-
Charge for the year	350,450	383,401
Derecognition	(214,256)	-
At 31 December	519,595	383,401
Net Book value	**726,601**	**820,401**

26 Contract liabilities

	2020 ₦'000	2019 ₦'000
As at 1 January	635,894	524,567
Additions during the year	1,021,081	635,894
Amount recognised as revenue during the year	(635,894)	(524,567)
	1,021,081	635,894

The contract liabilities primarily relate to the advance consideration received from customers for the supply of electricity.

27 Employee benefit obligation

	2020 ₦'000	2019 ₦'000
Long service award (Note 27a)	618,017	554,393
Defined benefit obligation (Note 27b)	736,728	508,925
	1,354,745	**1,063,318**
Non-current	1,145,530	733,211
Current	209,215	330,107
	1,354,745	1,063,318

Current portion relates to long service award due within the next 12 months.

Notes to the financial statements - Continued

27a Long service award

This scheme entitles employees who have worked for 5 years and above to a monetary reward amounting to a certain percentage of their total annual emolument. The independent actuarial valuation was performed by Alexander Forbes (FRC/2012/0000000000504) using the projected unit credit method. The valuation has a retrospective impact as the number of years already spent by each employee was put into consideration. This scheme is not funded.

The movement in the long service awards during the year is as follows:

	2020 ₦'000	2019 ₦'000
At 1 January	554,393	479,143
Current service cost	85,362	79,857
Interest cost	68,208	75,311
Remeasurement loss due to change in assumptions	98,236	66,323
Benefit paid	(188,182)	(146,241)
At 31 December	**618,017**	**554,393**

Current service cost, interest cost and remeasurement loss have been included in administrative expenses in profit or loss.

27b Defined benefit obligations

This entitles employees and members of the Executive Management Team (EMT) who have worked for at least three years to a certain percentage of their total annual emolument upon retirement or end of contract. The measurement is based upon an independent actuarial valuation performed by Alexander Forbes (FRC/2012/0000000000504) using the project unit credit basis. The defined benefit scheme of the company is unfunded.

The movement in the defined benefit obligations during the year is as follows:

	2020 ₦'000	2019 ₦'000
At 1 January	508,925	327,696
Current service cost	147,400	109,783
Interest cost	59,419	48,325
Remeasurement loss due to change in financial and demographic assumptions	128,554	98,534
Effect of movement in exchange rates	12,709	9,506
Benefit paid	(120,279)	(84,919)
At 31 December	736,728	508,925
Amount recognised in profit or loss		
Current service cost	147,400	109,783
Interest cost	59,419	48,325
Effect of movement in exchange rates	12,709	9,506
	219,528	167,614
Amount recognised in other comprehensive income		
Remeasurement loss due to change in financial and demographic assumptions	128,554	98,534

Notes to the financial statements - Continued

27bi The principal assumptions used in determining the defined benefit obligations are shown below:

	2020	2019
Discount rate	8.30%	12.50%
Salary increase rate	5.00%	5.00%

Mortality

Pre-retirement: A1967/70 Ultimate Table

	Number of deaths per 10,000 lives	
Sample age	2020	2019
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26
50	48	48
55	84	84
60	144	144

27bii **Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2020	2019
	₦'000	₦'000
Discount rate (1% increase)	(47,105)	(25,412)
Discount rate (1% decrease)	53,642	28,379
Salary increase rate (1% increase)	55,110	27,286
Salary increase rate (1% decrease)	(49,104)	(24,631)
Mortality (1% increase)	(4,834)	(2,637)
Mortality (1% decrease)	4,409	2,408

27bii The expected maturity analysis of the undiscounted defined benefit obligations is as follows:

	2020
	₦'000
Within the next 12 months	20,819
Between 2 and 5 years	412,295
Beyond 5 years	995,589
	1,428,703

The weighted average duration for the plan is 8years (2019: 6years). The discount rate is based on the yield on Nigerian Government Bond.

Notes to the financial statements - Continued

28. **Computation of cash generated from operating activities**	2020 ₦'000	2019 ₦'000
Profit/(loss) before tax	(16,170,303)	125,790,733
Adjustment for non-cash items:		
Depreciation of PPE (Note 7)	4,759,258	4,473,085
Depreciation- right-of-use- assets (Note 7)	350,450	383,401
Amortisation of intangible assets (Note 7)	109,043	119,620
Amortisation of government grant (note 8)	(1,517,819)	(1,528,577)
Write-off of PPE (Note 7)	2,747	53,217
Impairment loss	5,393,588	21,937,679
Revaluation deficit (Note 7)	247,416	-
Long service award (Note 11a)	251,806	221,491
Defined benefit expense (Note 11a)	206,819	158,108
Interest expense (Note 9b)	3,586,144	5,828,406
Unrealised foreign exchange loss (Note 9b)	29,548	37,464
Interest on lease liabilities (Note 9b)	188,867	175,503
Finance income (Note 9a)	(256,734)	(24,226,682)
Provisions	-	361,040
Tariff shortfall awarded by NERC (Note 6)	(51,514,693)	(164,909,064)
Income from contributed assets (Note 6)	(5,953,571)	(2,756,178)
Gain on disposal (Note 8)	(313)	-
Gain on lease derecognition (Note 8)	(114,724)	-
Working capital changes		
Inventories	73,024	146,133
Trade and other receivables	(5,058,264)	(8,934,129)
Prepayments	386,421	253,718
Trade and other payables	80,125,151	61,709,236
Contract liabilities	385,187	111,327
Restricted cash	(2,197,148)	(9,291,024)
Net cash from operating activities	**13,311,900**	**10,114,507**

29 Related party transaction

Identity of related parties

29a Parent and ultimate controlling party

KANN Utility Company Ltd (KANN) acquired a majority of the Company's shares from BPE and Ministry of Finance on 1 November 2013. As a result, the parent company is KANN Utility Company Ltd. KANN was jointly owned by CEC Africa Investments Ltd and Xerxes Global Investment Ltd. During 2020, CEC Africa Investments Limited acquired the majority of the KANN's shares. As a result, the new ultimate controlling party of the Company is CEC Africa Investments Ltd.

29b **Transactions with related parties**	2020 ₦'000	2019 ₦'000
Supply of electricity		
-KANN Utillity Company Limited (KANN)	430	287
-Bureau of Public Enterprises (BPE)	21,106	23,780
-Ministry of Finance Incorporated (MoFI)	71,447	6,147

Notes to the financial statements - Continued

Secondment of staff and directors		
-CEC Africa Investments Ltd (CEC Africa)	203,832	344,117
	=======	=======

29c Transaction with key management personnel

Key management personnel are those involved in key decision-making process of the Company and comprise directors and executive management staff.

Key management personnel compensation comprised:

	2020	2019
	₦'000	₦'000
Salaries	908,375	752,900
Defined benefit obligation	81,070	60,987
Other short-term benefits	99,704	146,027
	---------------	-------------
	1,089,149	**959,914**
	========	=======

Other than as detailed above, in terms of compensation, there were no transactions between key management personnel and the Company. From time to time directors of the Company, or their related entities, may purchase energy from the Company. These purchases are on the same terms and conditions as those entered into by other Company employees and customers.

29d Other related party balances

Other related party balances at the year-end were as follows:

	2020	2019
Due from related parties:	₦'000	₦'000
Advance to key management personnel	104,897	57,287
	-------------	-----------
Balance included in trade and other receivables	**104,897**	**57,287**
	=======	======

	2020	2019
	₦'000	₦'000
Due to related parties:		
Accruals for compensation to key management personnel	133,773	139,172
KANN	2,444,584	1,063,228
CEC Africa	11,113	21,882
	----------------	-----------------
Balance included in trade and other payables	**2,589,470**	**1,224,282**
	=========	=========
Net related party balance	**(2,484,573)**	**(1,166,995)**
	=========	=========

None of the balances due to related parties is secured.

29e Operations and management (O&M) services

Operations and management services fees is calculated at 2% of net cash collected by the Company during the year from customers on the basis of ongoing assistance received from the Company's parent, KANN Utility Company Limited (KANN) under an operations and management service agreement.

The amount charged to profit or loss with respect to the O&M services amounted to ₦1.78billion (2019: ₦1.73billion).

Notes to the financial statements - Continued

30 Contingent liabilities/Assets

30a. Transfer of pre-completion liabilities ad trade receivables

As part of the privatization completion, the Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO) effective 31 October 2013. The final confirmation of amounts transferred will be determined based on a reconciliation between the company and NELMCO. As at date of issue of these financial statements, the reconciliations are yet to happen.

The Directors, based on independent legal advice obtained as well as their understanding of the Share Purchase Agreement between KANN, BPE and the Ministry of Finance Incorporated are of the opinion that all trade receivables and pre-completion liabilities (crystallized or contingent) as at 31 October 2013 have been effectively transferred. If in the process of a subsequent reconciliation with NELMCO, certain items are identified and agreed to be borne by the Company, the amounts would be recorded in the period they were identified or when payment becomes probable.

30b Litigations and claims

The Company is involved in certain litigations and claims (separate from those taken over by NELMCO). Maximum exposure based on the damages being claimed by litigants amounts to ₦13.42billion (2019: ₦9.01billion).

The Directors based on a review of the circumstances of each claim and advice from external solicitors (where deemed necessary), believe the risk of material loss to the Company is remote and as such no provisions have been recorded.

31 Financial instruments- Fair values and risk management

31.1 Accounting classifications and fair values

Set out below is a comparison by category of carrying amount and fair value of all financial instruments

	Carrying amount		Fair value	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
Financial assets				
Trade and other receivables**	38,363,502	38,016,831	38,363,502	38,016,831
Cash and equivalents	19,298,889	10,558,175	19,298,889	10,558,175
	57,662,391	48,575,006	57,662,391	48,575,006
Financial liabilities				
Trade and other payables**	138,708,943	118,048,214	138,708,943	118,048,214
Loans and borrowings	19,486,046	21,419,835	22,068,288	22,776,514
	158,194,989	139,468,049	160,777,231	140,824,728

**Carrying amount of trade and other receivables does not include advance payment to vendor.

*Carrying amount of trade and other payables does not include statutory deductions.
In determining the fair value of interest-bearing loans and borrowings, non-performance risks of the Company as at year end were assessed to be insignificant.

Notes to the financial statements - Continued

31.1.1 Fair Value Hierarchy

As at the reporting date, the Company had classified its financial instruments into the three levels prescribed under the accounting standards. There were no transfers of financial instruments between fair value hierarchy levels during the year.

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	Level 1	Level 2	Level 3
	₦'000	₦'000	₦'000
31 December, 2020			
Loans and borrowings	-	22,068,288	-
31 December, 2019			
Loans and borrowings	-	22,776,514	-

The fair value of the Company's interest-bearing loans and borrowings is determined by using discounted cash flow models that use market interest rates as at the reporting date.

31.2 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:
-Credit risk
-Liquidity risk
-Market risk

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit and finance committees oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Audit. Internal Audit is expected to undertake both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Notes to the financial statements - Continued

31.2.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and government related entities as well as cash and bank balances.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	2020	2019
		₦'000	₦'000
Trade and other receivables*	16	117,655,180	111,914,921
Cash and cash equivalents	18	19,295,476	10,554,050
		136,950,656	122,468,971

* Carrying amount of the trade and other receivable does not include advance payment to vendors.

Impairment losses on financial assets recognised in profit or loss were as follows:

	2020	2019
	₦'000	₦'000
Impairment loss on trade receivables	5,393,588	21,882,536
Impairment loss on other receivables	-	55,143
	5,393,588	21,937,679

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base. The Company has a large customer base within its licensed area of supply thereby reducing its concentration of credit risk. To further mitigate credit risk, the Company is continually increasing the share of prepaid customers in its portfolio. The Company's exposure to credit risk is influenced by the characteristics of each category of customers.

In monitoring credit risk, customers are grouped according to common credit risk characteristics – geographic region, metering status and volume of consumption. No security is provided for the electricity supplied though the Company retains the right to disconnect nonpaying customers to enforce collections.

The Company does not require collateral in respect of trade and other receivables. The company does not have trade receivable for which no loss allowance is recognised because of collateral.

Expected credit loss assessment for customers

The Company uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables from customers. Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product rates.

Loss rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, metering status and volume of consumption.

Notes to the financial statements - Continued

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020.

	Weighted average loss rate	Gross carrying amount ₦'000	Loss allowance ₦'000
Prepaid customers (PPM)*	67%	57	38
Government Agencies	40%	9,822,685	3,945,463
Metered Maximum Demand customers	29%	4,906,585	1,444,589
Unmetered Maximum Demand customers	27%	215,455	59,070
Metered non-Maximum Demand customers (High tier)	46%	495,230	229,047
Metered non-Maximum Demand customers (Middle tier)	64%	275,236	175,304
Metered non-Maximum Demand customers (Low tier)	62%	787,028	486,377
Unmetered non-Maximum Demand customers (High tier)	61%	22,325	13,560
Unmetered non-Maximum Demand customers (Middle tier)	64%	90,629	58,211
Unmetered non-Maximum Demand customers (Low tier)	72%	100,556,335	72,546,182
		117,171,565	78,957,841

*This relates to debts from customers who have migrated from postpaid to prepaid database.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019.

	Weighted average loss rate	Gross carrying amount ₦'000	Loss allowance ₦'000
Prepaid customers (PPM)*	49%	2,793,140	(1,403,290)
Government Agencies	36%	8,914,583	(3,293,715)
Metered Maximum Demand customers	11%	4,159,730	(479,087)
Unmetered Maximum Demand customers	43%	328,559	(144,676)
Metered non-Maximum Demand customers (High tier)	0%	125,944	-
Metered non-Maximum Demand customers (Middle tier)	51%	21,855	(11,221)
Metered non-Maximum Demand customers (Low tier)	51%	1,201,057	(627,889)
Unmetered non-Maximum Demand customers (High tier)	55%	106,586	(59,337)
Unmetered non-Maximum Demand customers (Middle tier)	69%	595,831	(420,297)
Unmetered non-Maximum Demand customers (Low tier)	71%	93,209,522	(67,124,741)
		111,456,807	(73,564,253)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2020 ₦'000	2019 ₦'000
Balance at 1 January	73,564,253	51,681,717
Charge for the year	5,393,588	21,882,536
Balance at 31 December	78,957,841	73,564,253

Cash at bank

The Company held cash and cash equivalents of ₦7.8 billion at 31 December 2020 (2019: ₦1.26 billion). The cash and cash equivalents are held with bank and reputable financial institution in Nigeria.

Notes to the financial statements - Continued

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Employee receivables

The Company advances funds to employees for operational activities. To mitigate credit risk, the Company monitors the progress of such activities which have been funded.

Receivables above three months are fully impaired. The impairment charge amounted to nil (2019: ₦55.14million).

Letter of credit

The Company has letter of credit facility of ₦10.5 billion obtained from United Bank of Africa. A cash collateral of ₦9.29 billion was deposited with the bank. The Company considers that the letter of credit has low credit risk based on the external credit ratings of the counterparty.

31.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to

meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In order to manage liquidity risks and ensure that it has sufficient cash to match outflows expected in the normal course of its business, the Company is doing the following:
- Intensifying efforts to collect trade receivables.
- Accessing the various financial interventions applicable to the Company under the PSRP (See Note 34)-going concern.

The following are the contractual maturities of financial liabilities, including estimated interest payments for loans and borrowings and excluding the impact of netting agreements.

	Contractual cash flows				
	Less than 1 year	1 - 2 years	2- 3 years	3-5 Years	Total
Non-derivative financial liabilities	₦'000	₦'000	₦'000	₦'000	₦'000
31 December 2020					
Trade and other payables	138,708,943	-	-	-	138,708,943
Loans and borrowings	8,854,317	6,774,905	5,084,507	5,509,493	26,223,222
	147,563,260	6,774,905	5,084,507	5,509,493	164,932,165

31 December 2019	Less than 1 year	1 – 2years	2 -3 years	3 – 5 years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables	118,048,214	-	-	-	118,048,214
Loans and borrowings	3,233,539	6,292,503	23,107,638	423,797	33,057,477
	121,281,753	6,292,503	23,107,638	423,797	151,105,691

Notes to the financial statements - Continued

31.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

Currency risk

The Company based on operations to date has limited exposure to currency risks based on the fact that its revenue is earned in its functional currency and the cost of energy supplied paid in same. Exposure to currency risk is majorly limited to cash balances which are denominated in US Dollar. The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the long term, permanent changes in exchange rates would have an impact on profit or loss. It monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk

The summary of quantitative data about the Company's exposure to currency risk as reported by management is as follows:

	2020 ₦'000	2019 ₦'000
Cash and cash equivalents	28,903	82,758
Trade and other payables	-	(60,000)
Net statement of financial position exposure	28,903	22,758

The following significant exchange rates were applied during the year

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
USD ($)	384.22	361.66	398.6	364.7

The Company translates its US Dollar denominated balances using the Nigerian autonomous foreign exchange (NAFEX) rate.

Sensitivity analysis

A 15% strengthening of the USD at 31 December would have increased/(decreased) loss for the year by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Notes to the financial statements - Continued

Impact on loss for the year	2020 ₦'000	2019 ₦'000
15% increase	(4,336)	(1,245)
15% decrease	4,336	1,245

Interest rate risk

Interest rate risk management

The Company is exposed to interest rate risk arising from the interest-bearing obligations from the MO/NBET payables, vehicle finance, and vendor financed loans.

Interest rate risk-Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

Fixed rate instruments	Rate	2020 ₦'000	Rate	2019 ₦'000
Vendor financed loan	12%	4,535	12%	510,265
CBN loan	10%	14,026,544	10%	15,366,103
TCN loan	10%	3,634,958	10%	3,742,272
NELMCO loan	10%	704,489	10%	685,675
Letter of credit	7.50%	-	7.50%	(9,291,024)
Variable-rate instruments				
MO/NBET market debts (Note 21.1)	NIBOR+4%	123,845,189	NIBOR+4%	102,955,137

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, or designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 300 basis points in interest rates at the reporting date would have increased/(decreased) loss by the amounts shown below.

	2020 ₦'000	2019 ₦'000
300 basis point decrease	3,694,694	3,697,784
300 basis point decrease	(3,694,694)	(3,697,784)

32 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors capital using a ratio of 'adjusted net debt' to 'total equity'. For this purpose, adjusted net debt is defined as total liabilities, less cash and cash equivalents. Total equity comprises all components of equity.

The Board of directors seeks to achieve a more favourable total equity to adjusted net debt by engaging in mass metering projects and strengthening the revenue assurance function. The Company is not subject to any externally imposed capital requirements.

Notes to the financial statements - Continued

The Company's adjusted net debt to equity ratio as at December 2020 was as follows:

	2020 ₦'000	2019 ₦'000
Total liabilities	196,816,363	170,761,977
Less: cash and cash equivalents	(19,298,889)	(10,558,175)
Adjusted net debts	177,517,474	160,203,802
Total equity	(20,116,671)	(4,570,597)
Total equity to adjusted net debts	(8.82)	(35.05)

Equity includes share capital, revaluation reserves and retained losses.

33 Events after reporting date

There were no events after reporting date which could have material effect on the Company's financial statements.

34 Going concern

The Company made a loss after tax of ₦16.51 billion for year ended 31 December 2020 (2019: Profit of ₦124.29 billion). As at date, the Company had net current liabilities of ₦116.53 billion (2019: ₦94.72 billion) and net liabilities of ₦20.12 billion (2019: ₦4.57billion). The Company's reported losses (both historical and current) resulted from a lack of cost reflective tariff being charged by the Company due to the existing pricing regime, high aggregate technical, commercial and collection losses as well as significant interest expense on loans and borrowings. The profit made in 2019 is significantly as a result of the cumulative tariff shortfall for 2015-2019 awarded by the National Electricity Regulatory Commission (NERC) to the Company and income earned from customer contributed assets amounting to NGN 164.91 billion and NGN 2.76 billion respectively as compared to tariff shortfall of NGN 51.5 billion and income earned from customer contributed assets of NGN 5.95 billion recognised in the current year.

The Company's current liabilities include an amount of ₦123.85 billion (2019: ₦102.96 billion) due to the Nigerian Bulk Electricity Trading Plc (NBET) and the Operator of the Nigerian Electricity Market (ONEM), which forms part of trade and other payables as indicated in Note 21 of these financial statements. This amount is due for immediate payment in line with the applicable NERC orders.

The ability of the Company to continue as a going concern is largely dependent on the successful actualization of the budgeted results of the Company which is premised on assumptions that full cost reflective tariffs would be implemented in the immediate future or the receipt of tariff shortfalls will continue until full cost reflective tariffs are available and the amount due to ONEM and NBET for immediate payment will not be called. These matters are not wholly within the control of the Company.

The foregoing indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern in the foreseeable future, therefore, the Company may be unable to realize its assets and settle its liabilities in the normal course of business.

The directors have considered that the Federal Government of Nigeria (FGN) has acknowledged in the Power Sector Recovery Program (PSRP), that the illiquidity of the electricity distribution companies (DISCOs) is mainly due to the absence of cost reflective tariffs and has instituted various mechanisms that will enable the Company to continue to operate on a going concern basis. These include:

Notes to the financial statements - Continued

- Continued disbursement of payments to NBET on behalf of DISCOs on liabilities incurred on the purchase of electricity.

- Timely payments of monthly billings and offset of historical Government Ministries, Departments and Agencies (MDA) debts.

- Engagement with ONEM/NBET and NERC to negotiate restructuring plans with respect to past due invoices that are now payable on demand. Options being considered include converting these to long term loans payable over twenty (20) years. Though no approval has been obtained, the Directors on the basis that the restructuring is also envisaged under the PSRP, are optimistic that an agreement would be reached in the near term and amounts due would not be called to the extent that the Company continues to meet the minimum payment thresholds required by NERC from time to time.

- Engagement with NERC/NBET/ONEM to waive interest accumulated to date on the amounts due to ONEM and NBET on the basis that the MYTO does not allow the Company to charge customers interest on past due payments.

The financial statements are prepared on the basis that the Company will continue to be a going concern. This basis of preparation presumes that the Company will achieve its plans and realize its assets and discharge its liabilities in the ordinary course of business.

Other national disclosures

Value added statement

For the year ended 31 December

	2020 ₦'000	%	2019 ₦'000	%
Revenue	133,445,789		255,987,711	
Bought in materials and services:				
-Local	(123,785,559)		(132,158,435)	
-Foreign	-		-	
	9,660,230		123,829,276	
Finance Income	256,734		24,226,682	
Other income	2,088,653		2,630,985	
Value added	**12,005,617**	**100**	**150,686,943**	**100**
Applied as follows:				
To Employees:				
- as salaries, wages and other staff costs	13,842,176	115%	14,262,132	9%
To Providers of finance:				
- Finance cost and similar charges	9,465,443	79%	6,041,373	5%
To Government as:				
Taxes	334,886	3%	1,498,198	1%
Retained in the business:				
To maintain and replace				
-property, plant and equipment	4,759,258	40%	4,473,085	3%
-intangible assets	109,043	1%	119,620	
-To (deplete)/ augment reserves	(16,505,189)	(138%)	124,292,535	82%
Value added	12,005,617	100	150,686,943	100

The value added represents the additional wealth which the Company has been able to create by its own and its employees' effort. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for creation of future wealth.

Five-year financial summary

Statement of profit or loss and other comprehensive income

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	133,445,789	255,987,711	82,220,731	65,715,312	61,147,917
Results from operating activities	(6,961,594)	107,605,424	(62,141,631)	(49,473,493)	(35,309,576)
(Loss)/Profit before taxation	(16,170,303)	125,790,733	(85,616,541)	(75,895,144)	(47,298,250)
(Loss)/Profit for the year	(16,505,189)	124,292,535	(85,719,329)	(75,977,300)	(47,447,920)
Total comprehensive (loss)/ income for the year	(15,546,074)	124,194,001	(61,190,548)	(75,079,969)	(47,447,920)

Statement of financial position

	2020	2019	2018	2017	2016
Employment of funds	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	116,297,984	113,589,891	111,649,532	91,952,036	84,088,819
Right of Use asset	726,601	820,401	-	-	-
Intangible assets	848,888	920,334	1,039,954	79,574	32,816
Withholding tax receivables	-	-	114,448	-	-
Non-current trade and other receivables	-	-	9,345,410	32,550	-
Non-current prepayments	-	-	53,577	16,398	11,278
Net current liabilities	(116,533,308)	(94,726,209)	(221,568,406)	(173,191,651)	(93,625,528)
Non-current liabilities	(21,456,836)	(25,175,014)	(29,404,113)	(4,983,511)	(1,527,020)
Net (liabilities)/assets	**(20,116,671)**	**(4,570,597)**	**(128,769,598)**	**(86,094,604)**	**(11,019,635)**
Funds Employed					
Share capital	15,000	15,000	10,000	10,000	5,000
Retained earnings	(65,176,882)	(48,543,139)	(172,737,140)	(105,580,722)	(29,602,325)
Revaluation reserve	45,045,211	43,957,542	43,957,542	19,476,118	18,577,690
	(20,116,671)	**(4,570,597)**	**(128,769,598)**	**(86,094,604)**	**(11,019,635)**